

Bringing the arts to life

2011-12

Annual Report



Canada Council
for the Arts

Conseil des arts
du Canada



Canada Council
for the Arts

Conseil des arts
du Canada

350 Albert Street
PO Box 1047
Ottawa ON K1P 5V8
1-800-263-5588 or
613-566-4414
FAX: 613-566-4390
TTY: 1-866-585-5559
info@canadacouncil.ca
canadacouncil.ca

Mandate

The Canada Council for the Arts is Canada's national arts funder. It has been contributing to a vibrant arts scene in Canada for over 50 years.

The Council offers a broad range of grants (over 6,000 in 2011-12) and services to professional Canadian artists and arts organizations. It raises public awareness of the arts through its communications, research and arts promotion activities.

Canada Council prizes and fellowships celebrate creativity by recognizing some 200 exceptional Canadians in the arts, humanities and sciences every year. The Canadian Commission for UNESCO operates under the general authority of the Council.

The Canada Council is governed by an 11-member Board. Members of the Board and the Director/CEO of the Council are appointed by the Governor in Council for fixed terms. The Council relies heavily on the advice of artists and arts professionals from all parts of Canada (some 700 serve annually as jurors, or peer assessors) and works in close co-operation with federal, provincial, territorial and municipal arts and cultural agencies and departments.

As a federal Crown corporation, the Council reports to Parliament through the Minister of Canadian Heritage. Its annual budget allocation from Parliament is supplemented by endowment income, donations and bequests.

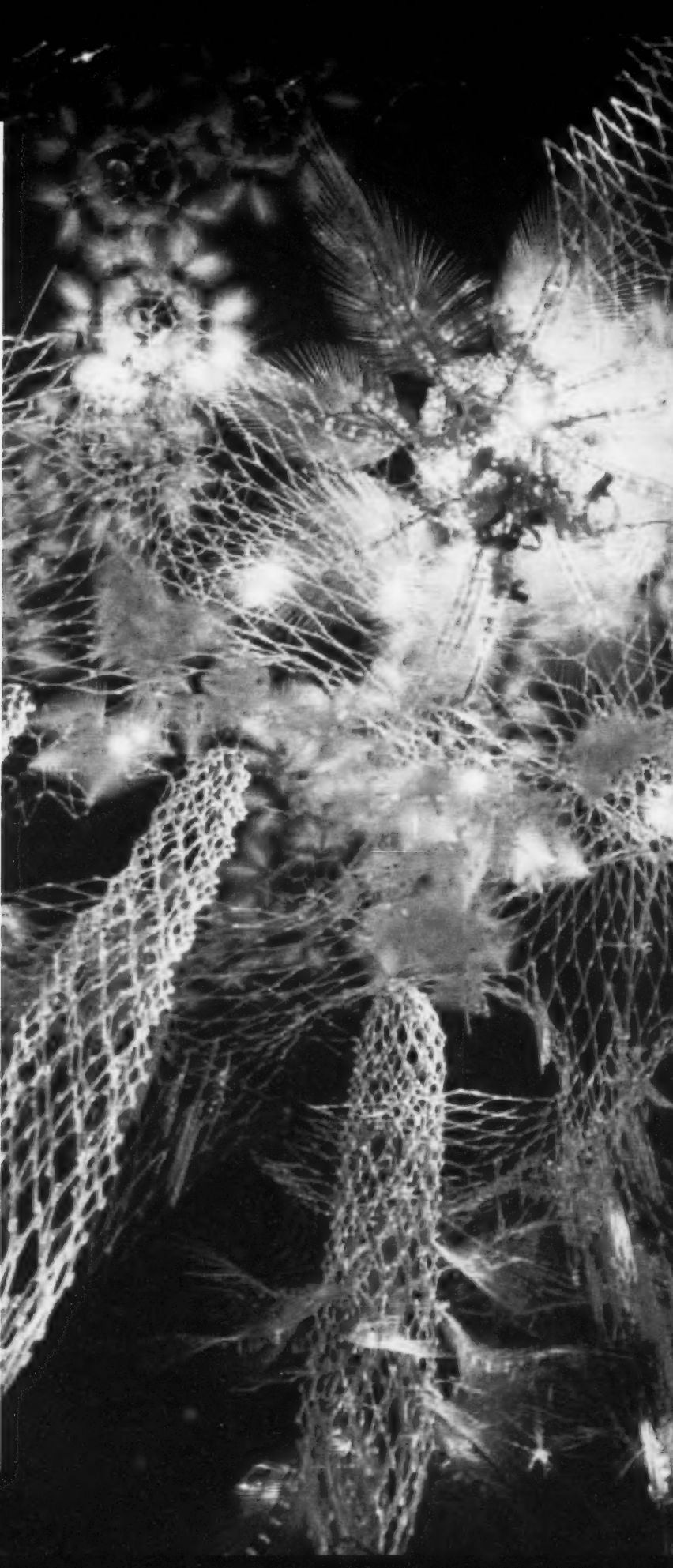


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*Message
from the Chair
Joseph L. Rotman*

Arts Technology Communities Transparency Change Adaptability Flexibility Leadership Responsiveness Synergy Artists Partnership Equity Knowledge Experience Connections Engagement Public Trust

Earlier this year I found myself sharing the stage of Toronto's Massey Hall with Canadian icon Leonard Cohen. He was there for a sold-out concert to celebrate his winning The Ninth Glenn Gould Prize for enriching the human condition through the arts; I was there to accept on the Canada Council's behalf his donation to Council of the \$50,000 in prize money that came with the award.

Mr. Cohen expressed how "profoundly grateful" he was to the Canada Council for an early grant that launched his writing career, and donated his prize money to ensure that others can benefit from the same support he received so early in his career. The Council is truly grateful for this endorsement of its core mandate of supporting individual artists and work that enriches the lives of all Canadians. At a time when Canada is being urged to accelerate its innovation agenda, investing in creativity should be a national priority.

As the Council's 2011-12 annual report amply demonstrates, there are literally thousands of practicing artists like Mr. Cohen whose careers are advanced each year by the Canada Council, and millions of Canadians whose lives are directly and indirectly impacted by Council-funded initiatives. Put these elements together and one has a key to what makes the Council such a success: its work both strengthens arts practice and connects the public to the arts.

The Canada Council is acutely aware of the importance that stable funding represents to artists in a time of financial uncertainty. In pre-budget consultations, the arts community asked the federal government to maintain Canada Council funding, and the federal government understood the importance of this message. On March 29, 2012 the Minister of Finance announced that the Council's parliamentary appropriation would remain stable for the next three years.

All of us at the Council are enormously heartened by the positive message sent by this vote of confidence. It is a clear signal of support for the arts as the creative heart of the nation. This government and the Minister of Canadian Heritage, the Hon. James Moore, clearly appreciate the sector's positive contribution to the economy and identity of this country. It makes it all the more important that we continue to demonstrate the highest possible standard in our investment of public funds.

We know that "stable" does not mean "stagnant." In Year 1 of our 2011-16 strategic and corporate plan, *Strengthening Connections*, the Board continued to shore up the sound management that distinguishes the Council. We strengthened our policies and procedures for entity risk management, adopted an organization-wide strategic communications plan, improved our governance practices and finalized plans to move to a more cost effective and energy efficient building when our current lease expires in December 2013.

As Chair of the Council, and indeed as a citizen of this country, it is my personal commitment to ensure that accountability to Canadians is foremost in all of the Council's thinking and planning. That's why I give my full support to Council's priority for public engagement as a critical component in ensuring a vibrant arts sector in Canada.

While managing change, Boards of Directors must also provide continuity. During the past year we welcomed the addition of new Board member David McKay (NB), and the reappointment of Barbara Burley (NB) and Anna Porter (ON). We also said goodbye to departing Board members Thomas Hill (ON), Jean Saucier (QC) and Jerry Mazerolle (NB), to whom we are immensely grateful for their valuable contributions over their terms.

Based on the results of the first year of our five year corporate plan, it is clear that the goals the Council set for itself in *Strengthening Connections* are ambitious but attainable. We take strength in how well the past year has demonstrated the relevance of the Council's leadership and look forward to accelerating the implementation of the large-scale change agenda already underway.



Message from the Director and CEO Robert Sirman

Change Technology Communities Transparency Adaptability Flexibility Leadership Responsiveness Synergy Artists Partnership Equity Knowledge Experience Connections Engagement Public Trust Arts

Convergence, like synergy, is something every leader yearns for – moments in time when different interests come together and long-held ambitions can finally be realized. For the Canada Council, the past year was filled with such moments.

For several years the Council has been consciously laying the groundwork for deep change. In its strategic planning it stepped back from the minutiae of individual programs to focus on the relevance of its mandate at the local, national and international levels. It strengthened its governance and operating capacity to increase productivity at every level. It reframed its corporate communication to underline how a dynamic and creative arts sector brings value to the lives of Canadians.

The rationale behind these shifts is outlined in the Council's five-year strategic plan, *Strengthening Connections 2011-16*. As the dates suggest, full implementation of *Strengthening Connections* is now underway. Substantive reviews have been launched on a broad range of Council programs, including the Flying Squad program, the Public Lending Right program, and the operating grant programs that make up the lion's share of Council spending. The overriding objective of these reviews is to integrate the *why* and the *how* and the *what* of Council's programs with its bigger mandate, and to ensure that the strategies we use to enrich the lives of Canadians are as effective and measurable as possible.

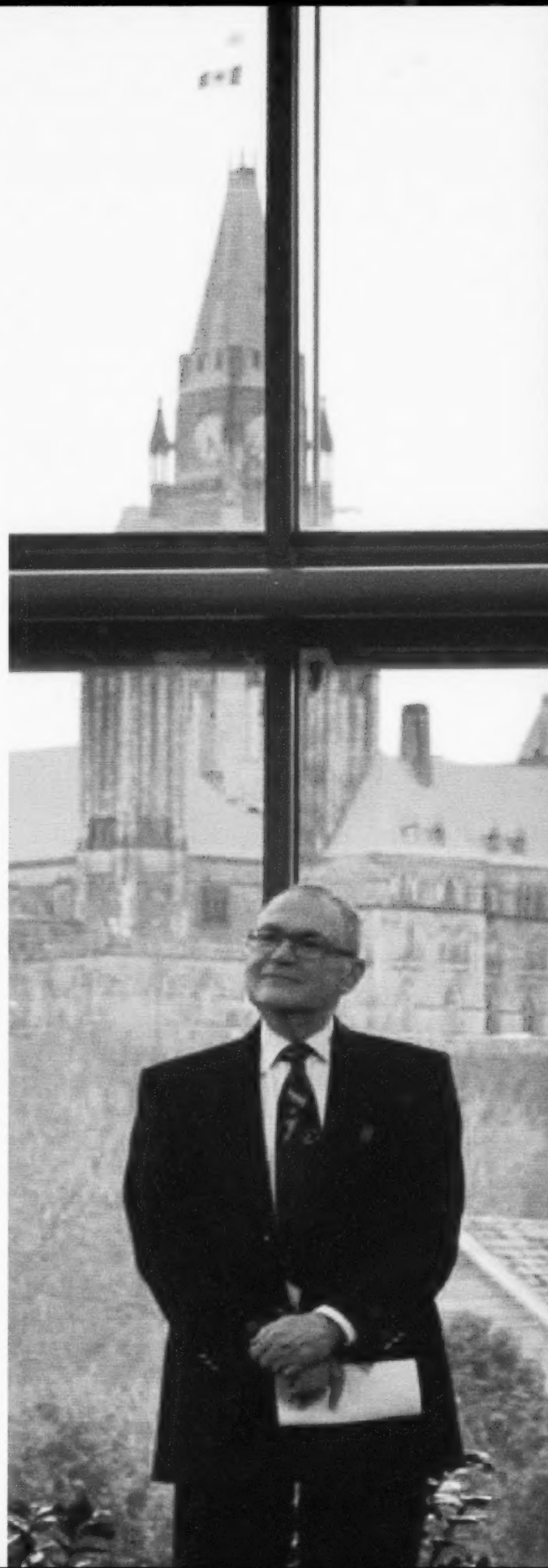
Meantime, the Council's existing suite of programs continues to generate impressive results. Last year we invested \$157 million in some 1,900 communities across the country, connecting Canadians from coast to coast to art and artists who stimulate and educate, challenge and entertain.

The Council used a number of anniversaries last year to raise public consciousness. The 75th anniversary of the Governor General's Literary Awards provided an opportunity to demonstrate how far Canadian literature has come since the awards were established in 1936. The 25th anniversary of the Public Lending Right program reinforced the value of compensating artists for the use of their work, including loans. The 40th anniversary of the Canada Council Art Bank shone a light on the blossoming of contemporary visual art in Canada, and the importance of national collections in contributing to a sense of shared heritage and identity.

During 2011-12 the Council participated fully in the government-wide deficit reduction action plan exercise, and welcomed at year-end the government's decision to maintain the Council's parliamentary appropriation at its current level for the next three years. It launched the next stage of its systems modernization process, including work on a major redesign of its web presence. It surpassed its year over year fiscal restraint targets while continuing to wrestle with the uncertainties of investment income in a time of extreme market volatility. And it launched an organization-wide consultative office design process in advance of moving to less costly accommodation in January 2014.

Behind all of this is our conviction that major changes are needed in how we work inside if we are to keep up with the seismic changes taking place outside. We have set our sights on addressing the imperative of sustainability – both organizational and sectoral – within a slow-growth or no-growth environment. Deep change is not without its risk, but the convergence we are experiencing within and beyond our sector offers great promise. Wherever artists are inspiring and engaging Canadians, wherever exciting, innovative art is taking place, there is almost certainly a connection to the Canada Council.

Robert Lerman



40 years of bringing contemporary art to Canadians

Right and bottom:
Open house
at the Canada
Council Art Bank,
in celebration of
Culture Days 2011.

Far right: Joyce
Wieland, *Maple
Leaf Forever II*,
1972 (© National
Gallery of Cana-
da), represents
the first year of
the Art Bank in
the *Spotlight on
40* exhibition.



For 40 years, the Canada Council Art Bank has been collecting work by the best Canadian artists of our times. It has become the world's largest collection of contemporary Canadian art with over 17,000 paintings, prints, photographs and sculptures by some 3,000 artists. On any given day more than one-third of the collection is on view in public spaces and private organizations across Canada, through loans, art rentals and outreach programs.

But on September 30–October 1, 2011, instead of bringing art to other venues, the Art Bank invited the public behind the scenes at its home base in Ottawa. Some 700 visitors explored the collection and framing areas, and many brought in personal artworks for appraisal and conservation advice. This open house event was held in conjunction with Culture Days, a national grassroots celebration of culture.

In March 2012, the Canada Council Art Bank launched its 40th anniversary celebrations. Each week until September, it's revealing 40 key works from the collection through social media (Twitter, Facebook, Flickr). The rollout culminates in an exhibition at the Art Bank on September 28–30 as part of the 2012 Culture Days celebrations. This is a unique opportunity to travel through 40 years of contemporary Canadian art... and discover a national collection.

40
years.
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Management's Discussion and Analysis

Change Technology Communities Transparency Adaptability Flexibility Leadership Responsiveness Synergy Artists Partnership Equity Knowledge Experience Connections Engagement Public Trust

Management's Discussion and Analysis

The Canada Council for the Arts as a connector

The Canada Council for the Arts connects Canadians to the arts through the grants and services it provides. Its aim is to support a vital and diverse arts sector that enriches the lives of all Canadians. Its investments allow artists and arts organizations to build relationships with communities across Canada and internationally. The Canada Council bolsters the arts ecology through research, outreach, arts promotion and knowledge-sharing. As a convenor, it advances dialogue and practice by bringing people and organizations together.

In 2011-12, 2,013 artists and 2,220 arts organizations received funding for the creation, production and dissemination of artwork. In addition, 17,885 authors received \$9.9 million in Public Lending Right payments. The total Canada Council investment amounted to \$157.3 million (including \$3.1 million in prizes and fellowships). Funding was distributed to over 1,900 communities across Canada.

"The total Canada Council investment amounted to \$157.3 million (including \$3.1 million in prizes and fellowships). Funding was distributed to over 1,900 communities across Canada."

In addition to its professional staff, the Council benefits from the expertise and knowledge of the Canadian arts professionals who serve on its juries, or peer assessment committees. There were 666 peer assessors last year.

The Canada Council is a trusted deliverer of public investment in the arts. It has a healthy and mutually respectful relationship with the arts community and the public. It works in a highly consultative and responsive manner with grant recipients, other funders, government agencies and the broader arts sector.

Operating Environment

The current governmental context is one of fiscal restraint, as the Canadian economy remains relatively fragile and subject to international volatility. Other arts funders are seeing either budget decreases or very small increases, which in turn puts pressure on the arts community. The Canada Council's financial continuity and national perspective on the arts ecology are critical in ensuring that the arts sector can absorb these changes and minimize destabilization.

Canada's cultural participation figures are, in general, quite positive. Almost every Canadian 15 years of age or older participated in one of 18 arts, culture and heritage activities such as attending the theatre, purchasing books and visiting museums. Increasingly, audiences are engaging with the arts via the electronic media: for example, between 2005 and 2010, listening to downloaded music increased from 28.6% to 50.9%.¹ This reflects trends in the United States, and demonstrates the need to be forward looking.

Year 1: Strengthening Connections, the Strategic and Corporate Plan



The Canada Council for the Arts has completed the first year of its strategic and corporate plan, *Strengthening Connections 2011-16*. The plan builds on the directions and themes of the 2008-11 strategic plan as core elements of its work, with three additional cross-cutting themes: public engagement, synergy and

new technologies. The Council focused in 2011-12 on strengthening its programs and services in order to deepen relationships among artists, stakeholders and the public. In addition, the Council continues to respond to the recommendations of the 2008 Special Examination by the Office of the Auditor General of Canada² by refining its overall program architecture. As part of this exercise, most arts discipline sections are undertaking program reviews and/or consolidations.

Direction 1: Individual artists

Canadian artists are at the centre of all of the Canada Council's activities. Through grants, payments, prizes and services, the Council advances their careers, supports risk-taking and exceptional achievements, fosters collaboration and provides the means to reach broader publics. Changes to programs respond to the evolving needs of artists, and allow the public greater opportunities to engage with artists. They also advance the priorities and values of the Council and respond to changes in artistic practices. The impact of these is being seen through support to innovation and greater international and domestic audience outreach.

For example, the Music Touring Grants program now supports combined international/domestic tours, responding to the realities of Canadian artists who frequently combine tours in the US and Canada. Following a program evaluation, the Assistance to Professional Canadian Contemporary Art Dealers (Visual Arts) program has been revised to encourage the development of new opportunities for the public to connect with the visual arts. The Audience and Market Development Office is reviewing its travel grants program in the same vein.

Direction 2: Arts organizations

The Canada Council has launched a process to review and revitalize its support to arts organizations, particularly its operating grant programs, to ensure its support remains relevant and enhances the conditions that will enable the arts to flourish. This process was begun in 2011-12 and will be implemented over the next two to three years.

The Flying Squad program, which provides development support to organizations, is undergoing a three-phase review. The first two phases are evaluative in nature, while the third seeks to chart a future course that will benefit the arts sector as a whole and that is well integrated with the overall approach to organizational support.

The Canada Council's Theatre Section is in the final stages of a major revision to its largest program, Operating Grants to Professional Theatre Organizations. Based on a comprehensive examination of the program and extensive

consultations with the community, the new program will be able to adapt assessment and support to different types of organizations in the theatre community. This will make it more relevant to the community's expansion from traditional creation and presentation models to a greater range of ways of working and reaching Canadians.

"The Canada Council has launched a process to review and revitalize its support to arts organizations to ensure its support remains relevant."

In its second year, the revised Media Arts program of support for organizations provides measurable outcomes. The changes allow organizations to take risks, expand their programming into new areas and develop a culture of shared resources to enhance production and engagement with citizens. Writing and Publishing has expanded eligibility in certain programs to reach new clients and allow for more stability, while Music has consolidated its programs for organizations in order to be more cohesive. Further, the Inter-Arts Office has made its programs for organizational support more flexible and the Audience and Market Development Office revised its operating grants program to clearly define and reinforce the role that agents and managers play in the performing arts milieu. The Dance Section consolidated support to presenters and festivals to streamline applications and enhance the national impact of the program.

Direction 3: Equity

The Canada Council's work in fulfilling its long standing commitment to equity is advancing. The internal Equity Framework is almost complete and will provide Council staff and leadership with a comprehensive overview of equity policies and practice. Furthermore, *Expanding the Arts: Deaf and Disability Arts, Access and Equality Strategy* was launched in 2011, broadening the Council's support and understanding of this area. One critical element being implemented is "access support," a supplement provided to successful grant recipients who are Deaf or have disabilities and who identify specific access supports related to barriers faced in their proposed activities and/or as part of travel. The Council continues to reach out to underserved communities through grant-writing workshops and other sessions.

The Equity Office has consolidated its programs from four to three, and extended its long-term impact and investment by introducing three-year funding commitments. It has also expanded eligibility criteria to include Deaf and disability arts organizations, resulting in funding to 48 culturally diverse arts organizations and 17 new Deaf and disability arts organizations.

The four-year initiative to expose Canadian Aboriginal visual arts curators to international art markets and events ended in 2011-12. This initiative involving 12 curators was an important networking opportunity and led to a number of curatorial partnerships. Several research studies into Aboriginal art and languages were concluded and published on the Council website, furthering knowledge-exchange.

The Canada Council contributed to two major gatherings of artists and arts organizations in the two Official Language Minority Communities (OLMCs), while continuing

Media Arts strengthens connections



Consolidating programs is an approach to funding that has concrete results for the arts ecosystem and benefits audiences. In its second year, the Media Arts program for organizations, which contributes to building cooperation, dialogue and exchange, has shown amazing results. With its modified eligibility criteria, the program was able to help the short film festival, *Regard sur le court métrage* (Saguenay, Quebec), to pursue audience development opportunities, sustain remarkable growth and respond to the rapid technological changes in the media arts. Also, because the program encourages efforts to optimize investment for the benefit of the arts community, the Saskatchewan Filmpool Cooperative in Regina acquired cameras in partnership with two other organizations: Paved Arts+New Media and Neutral Ground. This story of collaboration and exchange has been repeated in regions across the country.

Photo: The Improvised Film activity of *Regard sur le court métrage* invites the public to set the parameters of a filmmaker's work. In 2012, Rafael Ouellet took up the challenge.
Photo: Fabrice Tremblay

The Highest Step in the World, 2011, by David van Belle and Eric Rose, a production of Ghost River Theatre, in association with Alberta Theatre Projects. Photo: Anton de Groot

to support these communities through targeted funds and regular programs. In 2011, the Council released its five-year Action Plan for the Implementation of Section 41 of the *Official Languages Act*. The Council was highly assessed by the Office of the Commissioner of Official Languages for its implementation of the Act, in particular its work with OLMCs.

The Canada Council is deepening links with the Nunavut arts community as part of its ongoing strategy to better organize and represent artists and arts organizations and to encourage mentorship and learning opportunities. It is working to align programs with those of other arts funders in the territory through tri-level meetings and consultations. It also helped the Canadian Crafts Federation hold its annual board meeting in Iqaluit in order to strengthen ties with the Nunavut Arts and Crafts Association.



The Synergy Effect

Partnerships help organizations think creatively. For arts funders, they are an opportunity to work in synergy and maximize their impact on the lives of Canadians. Many such stories could be told about the Alberta Creative Development Initiative. The partnership between the Canada Council and the Alberta Foundation for the Arts has contributed to making a dynamic Alberta arts scene even more vibrant. As with many other funding recipients, the innovative, original and collaborative Ghost River Theatre has expanded its activities, diversified its audience, developed partnerships and not only maintained, but reasserted, the central importance of the community in its values and activities.

The Department of Canadian Heritage asked the Canada Council to organize the assessment of artists to represent Canada at Les Jeux de la Francophonie.



Direction 4: Partnerships

The Canada Council has been working in partnership with other organizations and levels of government since its founding. For the past few years, it has deepened its knowledge and capacity to connect with others to achieve meaningful results and to reinforce the impact of its work.

The Canada Council provides the Secretariat for the Canadian Public Arts Funders (CPAFⁱⁱⁱ). This dynamic network held a number of effective professional development events for staff and executive directors in the past year. It also published on the digital transition in the arts, equity in the arts ecology and adaptation in times of rapid change. The tri-level meetings, which regroup municipal, provincial and federal funders as well as foundations, have led to several cooperative projects and strategic partnership agreements (most recently in Northern Canada) that address issues of equity and access. Increasingly, the Council implements its outreach activities jointly with other funders, which provides a broad overview of funding opportunities for artists.

The Council also hosts the Canadian Arts Data / Données sur les arts au Canada (CADAC) Secretariat.^{iv} CADAC continues to grow both in scope and impact. It currently has 11 core members which include the Council, six provinces and four municipalities. A total of 1,850 arts organizations are registered in the web-based system (half are Council-funded). CADAC has now completed its third year of operation, allowing much more consistent and comprehensive reporting of financial data from arts organizations in Canada.

The Canada Council is increasingly being asked to share its knowledge of artistic practice and expertise in peer assessment with other organizations: for example, the Council managed, at the request of the Department of Canadian Heritage, the assessment process for Canada's artist delegation to Les Jeux de la Francophonie in Nice, France in 2013.

The Council is also building better relations between the public and private sectors through a partnership with Business for the Arts that is focused on dialogue, knowledge-development and information-sharing. There have also been partnerships with private foundations such as Musagetes and Creative Trust and with public and non-profit institutions such as the National Arts Centre, the Royal Architectural Institute of Canada and the Canadian Broadcasting Corporation, all to advance public engagement and support innovation in the arts.

"The Canada Council has been working in partnership with other organizations and levels of government to achieve meaningful results and to reinforce the impact of its work."

Aimed at supporting the development of professional artists and arts organizations in Alberta, the successful Alberta Creative Development Initiative (ACDI) concluded in 2011-12. Over the five years of the partnership with the Alberta Foundation for the Arts, nearly \$8 million were invested in the Alberta arts community in all artistic disciplines, for a total of 621 grants. The ACDI was an unprecedented partnership model at Council and helped to develop the capacity of the Alberta arts community.

Direction 5: Organizational development

In order to remain an efficient and effective organization, the Canada Council continues to strengthen its processes and policies, including on governance.

The Canada Council is modernizing its operations to provide the highest level of service to the arts community and to maximize public investment. It is beginning to work towards a comprehensive modernization of all its systems, including its grant management system, website and communications tools. These are to be complemented by a results toolkit, including a performance measurement framework, the tracking of notable grant results and more intensive use of final reports. This will help to bridge the gap between anecdotal evidence and measurable data, and will provide the Council with better information and avenues for communicating with the arts community and stakeholders and for promoting the arts to the public.

"The Canada Council is modernizing its operations to provide the highest level of service to the arts community and to maximize public investment."

Given the environment of fiscal restraint, the Canada Council continues to seek efficiencies and more appropriate ways of doing business. In this light, it will be moving its physical location to a new LEED Gold standard building in early 2014, which will result in significant savings due to lower rent and more efficient and environmentally-friendly operations. This new building will also give the Council greater visibility within the National Capital Region, connecting it with the community in which it operates.

Overlying themes

The Canada Council's work on the five strategic directions is overlaid with three themes identified through wide community consultation: public engagement, synergy and new technologies. As is clear from the activities detailed above, many ongoing strategies incorporate all three themes.

Public engagement allows Canadians to broaden and deepen their relationship with the arts. The Council's funding to artists and arts organizations is a motor for connection in their own communities, nationally and internationally, through touring and other dissemination activities. The majority of the program changes and reviews listed above help to underscore these activities.

Special projects such as the Dance Mapping Project are building greater awareness of the wide diversity of public participation in the arts. The Council is the primary funder of an innovative two-year national study led by CAPACOA (Canadian Arts Presenting Association) designed to identify, understand and communicate the value and benefits of performing arts presentation for Canadians. The Council was a catalyst in the early support for Culture Days/Fête de la culture, and continues to participate through public activities at the Canada Council Art Bank. The Canada Council is also looking at the role it

plays in engaging with the public through a special focus on this issue by its Board of Directors.

This past year marked the anniversaries of three exceptional Canada Council programs that reach the public in extraordinary ways. The Canada Council Art Bank launched its 40th anniversary with an online gallery of works from each year of the Art Bank's existence. The



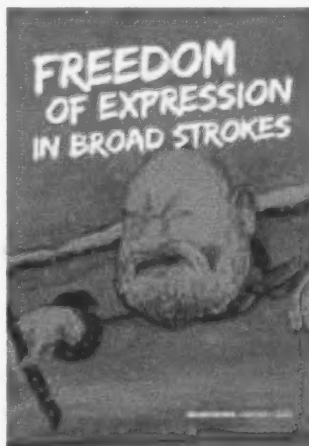
Public Lending Right program¹ celebrated its 25th year with special events organized with various authors' associations and a partnership for students with the Canadian Commission for UNESCO,² the Canadian Teachers' Federation and Indigo Books and Music. Finally, the Governor General's Literary Awards celebrated its 75th anniversary with social media initiatives and new strategic partnerships which raised awareness of the awards and reached millions of Canadians.

The Council's work to expand the visibility and impact of its prizes and fellowships (prize presentations, promotional activities, new social media initiatives) supports artists at different

stages in their careers. It is also tracking the career impact of major awards such as Musical Instrument Bank loans to young musicians.

The Council has launched an overarching branding and communications strategy. It is focused on targeted opportunities that promote public engagement, reach out to new and underserved communities and maximize resources. These include enhanced web capabilities, corporate branding, the launch of a Council blog, adoption of social media platforms and video production.

The Canadian Commission for UNESCO operates under the general authority of the Canada Council. Its role is to



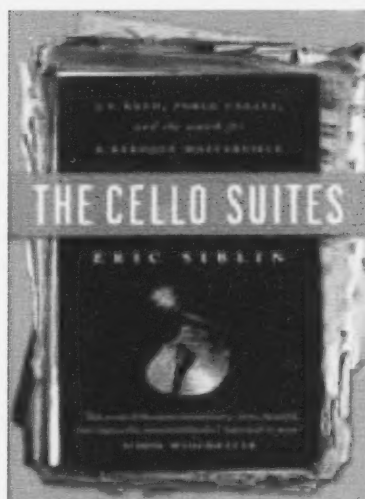
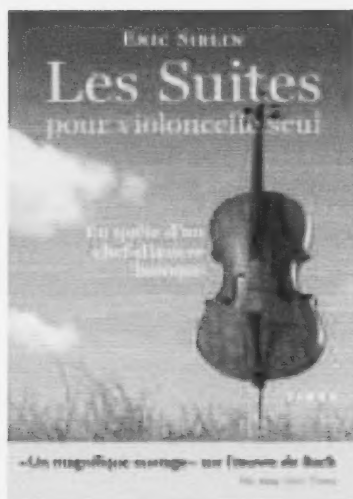
involve government departments and agencies, institutions, organizations and individuals in Canada working for the advancement of education, science, culture, communication and information in UNESCO activities in Canada. Among many activities, the Commission continues to support the Canadian Arts & Learning Network, which focused a recent symposium on creative communities for

Poster for a travelling exhibition of editorial cartoons, organized by the Canadian Commission for UNESCO and the Canadian Committee for World Press Freedom.



Kevin Williams of Talonbooks (left), Antoine Tanguay of Editions Alto and CBC journalist Elizabeth Robertson at the Canada Council's Translation Rights Fair.

The 2011 Translation Rights Fair enabled House of Anansi Press to sell French-language rights of Eric Siblín's *The Cello Suites* to Montréal's Editions Fides.



children and youth and also sponsored a touring exhibit of editorial cartoons highlighting the principle of freedom of expression. The Commission also undertook a video project in partnership with the Independent Media Arts Alliance, the National Indigenous Media Art Coalition and the Council's Media Arts Section. Media arts production centres worked with youth across Canada to create short videos celebrating dialogue and mutual understanding during the International Year of Youth (2010-11).

The Council is strengthening *synergy* both through its internal processes and through its relationships with stakeholders. The Council works collaboratively on everything from program reviews to policy development. It works closely with National Arts Service Organizations (NASOs), for example, in deepening understanding of arts practices. The annual meeting with NASOs is increasingly focused on how they can work more effectively with each other and with the Council. Notably, the Council is working with the Association of Canadian Choral Communities to map choral activity in the country and with a number of dance service organizations and other funders to undertake the aforementioned Dance Mapping Project. It partnered with Canadian Heritage and the Fédération culturelle

canadienne-française to commission a portrait of the arts ecosystem in Francophone Canada. It also partnered with federal and provincial funders to support a public engagement project with the Atlantic Presenters' Association.

The Council also convenes artists in different disciplines to further their practices: for example, it partnered with the Conseil des arts et des lettres du Québec in May 2011 on a forum on literary creation that brought together 200 writers and others to discuss changes within the sector, such as the digitization, new methods of creative production and outreach. This will feed into a larger process looking at greater flexibility in support to writers.

Synergy is further supported through targeted activities such as the Translation Rights Fair – in its second year – which encourages book publishers to translate books in either official language, building bridges between two literary worlds.

Synergy is fostered with other funders through the Council's leadership role in multiple networks and partnerships. It is a co-founder of the International Federation of Arts Councils and Cultural Agencies and is currently represented on the board by its Director/CEO.

The Council is focused on *new technologies* to ensure that the arts sector leads the transition to a digital society, and is adjusting programs to respond to new ways of working.

The Council is looking at its own operations as a key service to advance the arts sector, making itself more adaptable and flexible. It will implement a new tool to replace its aging granting software. This new tool will ensure a more adaptable system, greater ease in online grant applications and more detailed reporting information with a better capacity to demonstrate results. The Council is using new technologies such as videos in sign language and Inuktitut to reach artists and arts organizations facing barriers. It has also launched mobile apps to facilitate access to grant information.

Year one of *Strengthening Connections*, the Canada Council's 2011-16 strategic and corporate plan, has laid solid groundwork for the following four years. By focusing on collaboration, adaptability and responsiveness to promote public engagement, foster synergy and adapt to new technologies, the implementation of Council's ambitious agenda is well underway.

"By focusing on collaboration, adaptability and responsiveness to promote public engagement, foster synergy and adapt to new technologies, the implementation of Council's ambitious agenda is well underway."

For notes, see page 27.

Index on the Arts

609,000

people employed in the arts and culture sector (Statistics Canada 2006)

0.08%

Canada Council appropriation as percentage of total federal government spending (2008-09)

1,904

communities in Canada in which grants, prizes, and Public Lending Right payments were awarded (2011-12)

90%

percentage of Canadians who feel that live performance spaces in their communities contribute to their quality of life (Canadian Heritage 2007)

86%

percentage of Canadians who attended at least one type of arts or cultural event or activity in 2007 (Canadian Heritage 2007)

\$5.25

annual cost of the Canada Council per Canadian (2011-12)

\$157.3 million

Canada Council direct investment in the arts (2011-12)

\$45.9 billion

impact of arts and culture industries on the Canadian economy (Statistics Canada 2011)

5,843

number of activities held on 2011 Culture Days, Journées de la culture in Quebec and Alberta Arts Days in nearly 800 communities nationwide (Culture Days 2011 Report)

\$22,700

average annual income of an artist; national average annual income of the overall labour force is \$36,300 (2006 census data)

Corporate Scorecard

Canada Council at a glance

	2011-12		2010-11	
	('000s)		('000s)	
PARLIAMENTARY APPROPRIATION	\$ 180,958		\$ 181,277	
GRANTS, PRIZES AND PAYMENTS				
Arts programs	\$ 144,245		\$ 141,363	
Public Lending Right payments	\$ 9,941		\$ 9,908	
Prizes and fellowships	\$ 3,118		\$ 3,261	
Total	\$ 157,304		\$ 154,532	
GRANT APPLICATIONS				
Individual artists	9,219		9,194	
Arts organizations	6,475		6,249	
Total	15,694		15,443	
Applications received via GO! Grants Online (included in total above)	3,201		3,128	
GRANTS AWARDED				
Individual artists ¹	2,256		2,291	
Arts organizations ²	3,780		3,807	
Total	6,036		6,098	
Communities in which the grants were awarded ³	634		634	
FIRST-TIME APPLICANTS (INDIVIDUAL ARTISTS AND ARTS ORGANIZATIONS)				
First-time applicants	3,590		3,203	
Communities where they live or are located	681		620	
First-time recipients	1,110		1,114	
PEER ASSESSORS				
Peer assessors	666		721	
Communities where they live	181		169	
First-time peer assessors	298		295	
CANADA COUNCIL ART BANK				
Works in collection and appraised value of works	17,526	\$ 71,084	17,512	\$ 71,108
Works in circulation and rental income	4,212	\$ 1,715	5,156	\$ 1,916
CANADA COUNCIL MUSICAL INSTRUMENT BANK				
Loans/donations to the Musical Instrument Bank and insured value of instruments	17	\$ 28,000	16	\$ 27,251
CANADIAN COMMISSION FOR UNESCO				
UNESCO-related events in which Commission participated	39		47	

For comparative purposes, all figures are based upon information as at June 1, or the next business day, of each fiscal year except in some cases where figures rely on data from final reports of the grants. As a result of changes in methodology, figures in this corporate scorecard are not necessarily comparable to figures in previous years' presentations.

1. An individual artist may receive more than one grant in a given year. For example, an individual artist may receive a project grant and a travel grant.
2. An arts organization may receive more than one grant in a given year. For example, an arts organization may receive a project grant and an operating grant.
3. This figure includes 515 communities in Canada and 119 international communities in 2011-12 (Canadian artists residing outside Canada and international publishers and co-producers).

Direction 1: Individual Artists

Reinforce the Council's commitment to individual artists, working alone or collaboratively, as the core of artistic practice in Canada.

	2011-12		2010-11	
	('000s)		('000s)	
SUPPORT TO INDIVIDUAL ARTISTS (RECIPIENTS/FUNDING)	20,143	\$ 35,226	19,740	\$ 34,534
GRANTS TO INDIVIDUAL ARTISTS¹				
Support for creation and production activities	1,170	\$ 19,699	1,141	\$ 18,903
Support for dissemination activities	142	\$ 1,105	156	\$ 1,269
Travel grants to professional artists	817	\$ 1,067	854	\$ 1,144
Total	2,013	\$ 21,871	2,031	\$ 21,316
PUBLIC LENDING RIGHT PROGRAM				
Canadian authors receiving payments	17,885	\$ 9,941	17,487	\$ 9,908
Communities where they live (in Canada)	1,809		1,783	
Communities where they live (outside Canada)	370		365	
CELEBRATING EXCEPTIONAL ACHIEVEMENT THROUGH PRIZES AND FELLOWSHIPS				
Prize and fellowship recipients	193	\$ 3,118	201	\$ 3,261
ART BANK PURCHASE PROGRAM	52	\$ 305	21	\$ 68
STRATEGIES AND PROGRAM INITIATIVES (RECIPIENTS/FUNDING) (Figures included in totals above)				
Multi-year project support to individual artists	40	\$ 1,601	43	\$ 1,756
Support for residencies and commissioning	37	\$ 530	39	\$ 513
Touring grants (music, dance, theatre only)	26	\$ 360	31	\$ 324
Support to artists and community collaborations	12	\$ 142	7	\$ 148
HONORARIA AND READING FEES FOR MEMBERS OF PEER ASSESSMENT AND ADVISORY COMMITTEES				
Peer assessment committees – honoraria		\$ 723		\$ 840
Peer assessment committees – file reading fees		\$ 523		\$ 536
Advisory committees		\$ 41		\$ 68
Total		\$ 1,287		\$ 1,444

Direction 2: Arts Organizations

Broaden the Council's commitment to arts organizations to strengthen their capacity to underpin artistic practices in all parts of the country.

	2011-12		2010-11	
	('000s)		('000s)	
SUPPORT TO ORGANIZATIONS (RECIPIENTS/FUNDING)²	2,220	\$ 122,582	2,250	\$ 120,258
OPERATING SUPPORT TO ORGANIZATIONS				
Annual	479	\$ 23,600	371	\$ 15,988
Multi-year	572	\$ 71,227	647	\$ 75,437
Total		\$ 94,827		\$ 91,425
PROJECT SUPPORT TO ORGANIZATIONS				
Annual	1,678	\$ 24,574	1,749	\$ 26,833
Multi-year	113	\$ 3,181	53	\$ 2,000
Total		\$ 27,755		\$ 28,833
STRATEGIES AND PROGRAM INITIATIVES (RECIPIENTS/FUNDING) (Figures included in totals above)				
Support for dissemination activities	1,253	\$ 19,703	1,347	\$ 23,292
Touring grants (music, dance, theatre only)	146	\$ 3,156	138	\$ 3,444
Flying Squad and Flying Eagle Support	226	\$ 1,395	223	\$ 1,420
Support for residencies and commissioning	80	\$ 952	83	\$ 1,093
Support to artists and community collaborations	65	\$ 946	56	\$ 827

Direction 3: Equity

Enhance the Council's leadership role in promoting equity as a critical priority in fulfilling Canada's artistic aspirations.

SUPPORT TO ARTISTS AND ARTS ORGANIZATIONS FROM ABORIGINAL COMMUNITIES (RECIPIENTS/FUNDING)

	2011-12		2010-11	
	('000s)		('000s)	
Support to Aboriginal artists	170	\$ 1,853	191	\$ 2,079
Operating support to Aboriginal arts organizations	20	\$ 1,288	21	\$ 1,363
Project support to Aboriginal arts organizations	90	\$ 2,401	100	\$ 2,797
Total ¹	265	\$ 5,542	295	\$ 6,239

SUPPORT TO ARTISTS AND ARTS ORGANIZATIONS FROM CULTURALLY DIVERSE COMMUNITIES (RECIPIENTS/FUNDING)²

Support to culturally diverse artists	286	\$ 3,235	321	\$ 3,421
Operating support to culturally diverse arts organizations	45	\$ 2,836	42	\$ 2,431
Project support to culturally diverse arts organizations	123	\$ 2,720	122	\$ 3,456
Total ¹	429	\$ 8,791	456	\$ 9,308

SUPPORT TO ARTISTS AND ORGANIZATIONS FROM DEAF AND DISABILITY ARTS COMMUNITIES (RECIPIENTS/FUNDING)²

Support to artists who are Deaf or with disabilities	31	\$ 468	..	\$..
Operating support to Deaf and disability arts organizations	3	\$ 85	..	\$..
Project support to Deaf and disability arts organizations	20	\$ 594	..	\$..
Total ¹	53	\$ 1,147	..	\$..

SUPPORT TO ARTISTS AND ARTS ORGANIZATIONS FROM OFFICIAL LANGUAGE MINORITY COMMUNITIES³ (RECIPIENTS/FUNDING)

Support to artists from official language minority communities	315	\$ 3,101	320	\$ 2,725
Operating support to arts organizations from official language minority arts communities	71	\$ 4,167	65	\$ 3,999
Project support to arts organizations from official language minority communities	136	\$ 2,068	141	\$ 2,090
Total ¹	484	\$ 9,336	483	\$ 8,814

1. An individual artist may receive more than one grant in a given year. For example, an individual artist may receive a project grant and a travel grant. An arts organization may receive more than one grant in a given year. For example, an arts organization may receive a project grant and an operating grant.

2. In 2011-12, the Equity Office expanded the eligibility criteria of the Capacity Building Initiative to include applicants from Deaf and disability arts communities. Prior to 2011-12, the Capacity Building Initiative was designated exclusively to applicants from culturally diverse arts communities. This change in eligibility resulted in the allocation of approximately \$470,000 to successful applicants from Deaf and disability arts communities.

3. Support for artists and arts organizations working in official language communities is calculated on the basis of data collected a different way than that of the three preceding equity groups. Any comparison between the different groups would therefore not necessarily be accurate.

Direction 4: Partnership

Make partnerships with other organizations a key element in the Council's approach to advancing its mandate.

Alberta Creative Development Initiative (ACDI) (recipients/funding)¹

CADAC: CANADIAN ARTS DATA / DONNÉES SUR LES ARTS AU CANADA

Contribution towards a web-based system to allow the Canada Council and other public funders to collect and share common financial and statistical data on Canadian arts organizations.

	2011-12	2010-11
	('000s)	('000s)
Alberta Creative Development Initiative (ACDI) (recipients/funding) ¹	75 \$ 999	82 \$ 1,116
CADAC: CANADIAN ARTS DATA / DONNÉES SUR LES ARTS AU CANADA		
Contribution towards a web-based system to allow the Canada Council and other public funders to collect and share common financial and statistical data on Canadian arts organizations.	\$ 183	\$ 159

Direction 5: The Council's Organizational Development

Enhance the Council's capacity to support the arts and implement change by strengthening its structure, staffing and services.

STAFFING AND SERVICES

Employees

Professional development and training costs per employee

Number of employee trips outside the National Capital Region

(including outreach sessions and workshops)

Communities visited by employees

CANADA COUNCIL WEBSITE TRAFFIC (IN THOUSANDS)

Page views per year

Visits per year

Unique visitors

	2011-12	2010-11
Employees	239	239
Professional development and training costs per employee	\$ 770	\$ 976
Number of employee trips outside the National Capital Region (including outreach sessions and workshops)	673	748
Communities visited by employees	76	93
CANADA COUNCIL WEBSITE TRAFFIC (IN THOUSANDS)		
Page views per year	6,804	6,865
Visits per year	1,271	1,363
Unique visitors	638	698

1. The Alberta Creative Development Initiative (ACDI) was a time limited program designed to support the development of the arts in Alberta. It was a partnership between the Alberta Foundation for the Arts and the Canada Council for the Arts in collaboration with the Calgary Arts Development Authority and the Edmonton Arts Council. Administered by the Canada Council, it was launched in 2007-08 as a 3-year program and was renewed for an additional year (2010-11), then again for a final year (2011-12). The Canada Council and the Alberta Foundation for the Arts each contributed \$1,000,000 annually to ACDI for the first 3 years of the program (2007-2010) and each contributed a further \$500,000 annually for the last 2 years of the program (2010-2012) for a total of almost \$8,000,000 in grants over 5 years. Overall, 1,868 grant applications were assessed and 602 grants were awarded to artists and arts organizations in Alberta.

Financial Overview

Highlights

The Council receives an annual appropriation from Parliament which, for the year ended March 31, 2012, was \$181 million, \$0.3 million less than in 2010-11. This minor change relates primarily to lesser funding used for the National Translation Program that the Council operates on behalf of the Department of Canadian Heritage under a Memorandum of Agreement. Only similar minor changes are anticipated for 2012-13, as, on March 29, 2012, the government tabled Budget 2012 which included its Deficit Reduction Action Plan and which confirmed that, unlike most other government departments and agencies, the Council's appropriation was not affected and there were no mandatory changes to Council's programs and activities. The Council continues to review its programs, their means of delivery and its supporting activities to ensure that they remain relevant to Canadians. All related savings realized will be reinvested into the arts sector.

The Council's net financial result for the year ended March 31, 2012 is a deficit from operations of \$6.4 million in comparison to a budgeted net return of \$142,000 and a loss of \$46.7 million for 2010-11. The major item affecting the result is the \$5.8 million net investment income shortfall to budget (a loss of \$36.9 million and a budget shortfall of \$48.3 million in 2010-11). During the year, the Board approved spending a net \$2.5 million on grants using balances held in the Council's accumulated surplus for this purpose. Excluding the impact of this carry-forward spending and the investment income shortfall, the Council had a net positive return on operations of \$1.9 million.

The Council believes that net investment returns will improve in future years. Nevertheless, markets and world economic conditions remain uncertain. An important outcome is that the Council has adjusted downwards its Expenditure Policy for the use of invested funds and will budget \$1.2 million less in investment income available for use in operations for the next several years.

During the year, net expenses other than grants were subject to the government's requirement to exercise fiscal restraint and could not exceed those of the prior year. For 2011-12 these net expenses were \$37.1 million in comparison to \$38.4 million for 2010-11.

In 2011-12, the Endowment and Special Funds and the Killam Funds had positive one year returns of 2.1% (5.9% in 2010-11) and 1.7% (6.2% in 2010-11) respectively. The investment portfolios continued to be affected by the varying recovery of world and Canadian equity markets and economies from the significant decline that occurred during the 2008-09 global economic slowdown. As at March 31, 2012, the fair value of the Council's investments was \$270.5 million, a decrease of \$8.7 million over the prior year. The extent and timing of changes in fair value, however, varies by investment and the Council annually tests each investment instrument for impairment. During the

year the Council determined that all specific investment declines in fair value were not other than temporary and accordingly did not recognize impairment in their carrying value (an impairment of \$58.9 million was recognized in 2010-11).

The Council has collective agreements with two bargaining units of the Public Service Alliance of Canada. Both agreements expired on July 1, 2011. In November 2011 the parties reached agreement on a new unified contract for the three year period ending June 30, 2014. Although the Council is not part of the core public service and is not subject to related Treasury Board requirements or direction, the financial terms of the Council's new agreement are consistent with those desired by the government for the core public service.

During the year, following Board approval, the Council entered into an agreement with Morguard Investments Limited to lease space for a period of 20 years in a new building to be constructed at 150 Elgin Street Ottawa. Occupancy is scheduled for January 1, 2014 and the Council will be the building's anchor tenant. The building will be LEED Gold certified. The net effect of the use of new technology, modern construction techniques, favorable interest rates, joint fit up collaboration with the landlord and a reduced environmental footprint is a cost saving to the Council such that it will take five years for ongoing accommodation costs to reach the 2011-12 level. The Council also has underway significant changes to its suite of information systems. When implemented over the next three years, these and other changes relating to its programs will transform the Council's manner of operation while reducing costs.

In 2011, the Council also established a risk appetite statement in order to provide a qualitative description of its approach to accepting risk in the management of its business. This statement was approved by the Board of Directors at its January 2012 meeting. The statement acknowledges that the Council has low appetite for risks that could negatively impact the rigor and transparency of its granting processes, given that this is foundational to the legitimacy of the Council's mandate. Similarly, the Council has a low appetite to undertake financial risks that would negatively impact its cost-effectiveness and investment performance, given the critical importance of appropriately managing financial resources to the Council's ability to provide funding and support to the arts community. With regards to the suite of funding programs and support to the arts community, the Council has a low appetite for risks that would hinder its ability to be flexible and responsive to changes in the arts ecology and economic conditions and a low appetite for risks that would adversely affect support of the arts infrastructure in Canada. That notwithstanding, the Council has a high appetite for artistic risk. Notably, the Council maintains a high appetite for risks related to the its support of artistic aspirations, creativity and innovation as this is essential to the development and evolution of a vital and diverse arts sector that enriches the lives of all Canadians.

In past years the Council presented its financial statements applying the standards of the Handbook of the Canadian Institute of Chartered Accountants (CICA). The CICA has replaced these standards with a series of new stan-

dards varying by type of enterprise of which those of the Public Sector Accounting Board were determined to be appropriate to the Council. The Council adopted the new accounting framework, applying Public Sector Accounting Standards (PSAS), effective April 1, 2011. The transition to PSAS involved the redetermination, revision and re-establishment of accounting policies and the resolution of several significant accounting issues. The changes made to the financial statements are disclosed in Note 2 to the financial statement which sets out significant matters relating to this transition and reconciles account balances and transactions from the previous accounting framework to the current method of presentation.

As a result of changes to the *Financial Administration Act*, effective April 1, 2011, the Council is required to provide financial statements to the Government of Canada within 60 days of the end of each fiscal quarter. Those unaudited quarterly financial statements, the first ever for the Council, were publicly disclosed on the Council's website.

2011-12 was the first year of the Council's Strategic Plan 2011-16. The Council continued to deliver against the strategic directions and themes identified in the plan while undertaking preparations consistent with the continued exercise of fiscal restraint and potential future resource reallocation.

This narrative discussion contains "forward-looking statements" that reflect management's expectations regarding the Council's results of operations. These statements are not facts but only estimates based on information and assumptions that are currently available to, or made by, management but which are subject to a number of risks and uncertainties and may prove to be incorrect. Accordingly, readers are cautioned not to place undue reliance on the "forward looking statements."

SUMMARY FINANCIAL POSITION AS AT MARCH 31

(in thousands of dollars)	2012	2011	2010 ¹
Total financial assets	\$ 272,855	\$ 282,267	\$ 275,485
Total liabilities	62,771	65,655	63,550
Net financial assets	210,084	216,612	211,935
Non-financial assets	2,430	3,040	2,869
Accumulated surplus	\$ 212,514	\$ 219,652	\$ 214,804

¹ As at April 1, 2010

SUMMARY STATEMENT OF OPERATIONS FOR THE YEARS ENDED MARCH 31

(in thousands of dollars)	Budget 2012	Actual 2012	Actual 2011 ¹
Total revenue	\$ 193,929	\$ 187,939	\$ 146,246
Total expenses	193,787	194,399	192,898
Annual surplus (deficit) from operations	\$ 142	\$ (6,460)	\$ (46,652)

¹ Comparative results for 2010 not provided as they were prepared under a different accounting framework

Financial Position

Financial Assets

As at March 31, 2012, total financial assets were \$272.9 million, a decrease of \$9.4 million over the previous year. Financial assets include both those assets that in the normal course of operations are expected to be converted into cash or expensed within the next year and portfolio investments in financial instruments. Cash equivalents represent the temporary investment of the Council's excess daily cash requirements in a short term pooled fund managed by a professional money manager. The Council's current liability for bank indebtedness at March 31, 2012 was \$1.6 million in comparison to \$2.6 million at March 31, 2011.

As at March 31, 2012, the fair value of the Council's investments was \$270.5 million, a decrease of \$8.7 million over the prior year. The extent and timing of changes in fair value, however, varies by investment.

Annually, as required by PSAS, the Council assesses each of its investment instruments against specific criteria to determine whether there is evidence that the carrying value may not be recovered and is therefore impaired. A significant or prolonged decline in the fair value of an investment below its cost is objective evidence of impairment and must be recognized when it is considered other than temporary. While the Council invests to obtain returns over the long term using a 10 year time horizon and allocates and structures its investments accordingly, other factors, notably significantly shorter time frames, must be considered when assessing impairment. Therefore, the Council considers a significant decline in value lasting three years to be prolonged and to be other than temporary if there is not objective indication of probable recovery within the subsequent year. During the year the Council determined that all specific investment declines in fair value were not other than temporary and accordingly did not recognize impairment in their carrying value (an impairment of \$58.9 million was recognized in 2010-11).

The Council invests in units of pooled funds that are managed by professional money managers. The Council's investments are guided by a Statement of Investment Policies and Goals, which is approved by the Board and available from the Council. The objectives of the portfolio are to generate long-term real returns to supplement the parliamentary appropriation and to support the fellowships and prizes for the Killam Funds and Special Funds, while maintaining the purchasing power of the endowed capital. The Killam Funds and Special Funds represent contributions from non-owners that have been received by way of donation and bequest and have been restricted for specific purposes by the donors. The Killam Funds are required to be maintained in a separate investment portfolio that is consolidated for reporting purposes. The Special Funds are included with the Council's investment portfolio; a proportionate share for each contribution is calculated based upon the fair value of the investment portfolio at the time each contribution was received.

In January 2012, the Board approved adjustments to the asset mix policy and as at March 31, 2012 the Council had completed the re-balancing of the portfolio. The adjust-

ment increased the allocation to Canadian equities by 5% and correspondingly reduced the Global equities allocation. The Statement of Investment Policies and Goals allows for a grace period of six months for the rebalancing of the asset classes to the benchmark.

An Investment Committee, composed of independent experts with experience in both the investment field and the asset classes in which the Council invest, assists in the oversight and management of the portfolio. Council Board members sit on the Investment Committee. In addition, the Council uses the services of an independent investment consultant to assist the Investment Committee in its work.

The Investment Committee reviews the Council's investment policy annually, and, as considered necessary and appropriate, recommends adjustments to the asset mix and to the diversification of the portfolio management structure. During the year, the Investment Committee assessed the effect of implementation of the policy on the portfolio at each meeting through obtaining regular updates from investment managers and a review of the portfolio's performance with the investment consultant. The table below shows the actual comparative asset mix as well as the asset mix targets for the portfolio.

INVESTMENT *Asset Mix 2011-12* *Asset Mix 2010-11*

	Actual Target		Actual Target	
Canadian equities	10%	10%	6%	5%
Global equities	36%	35%	43%	40%
Canadian fixed income	34%	35%	31%	35%
Alternatives	10%	10%	10%	10%
Real estate	4%	5%	4%	5%
Infrastructure	3%	5%	3%	5%
Money market	3%	0%	3%	0%

The Investment Committee monitors closely the level of risk within the portfolio. For the four years ending March 31, 2012, total fund return was -1.1% in comparison to a benchmark return for a portfolio of similar mix of 2.5%. For the same period the risk, as measured by the standard deviation of quarterly returns, was 10.5% for the fund compared to 10.2% for the benchmark. Both the benchmark and Council's investments were in the second quartile in comparison to peers while the levels of risk were relatively high. Overall the risk levels indicate that Council's investments should outperform in times of market appreciation and over the longer term. However, this expectation varies with specific investments, their managers and investment strategies. During the year the Investment Committee undertook a review of its asset allocation strategies and the desired levels of risk and committed to revisit both annually.

During the year, the Council realized net capital losses of \$8.2 million from the sale of a portion of its investment portfolio but overall had a net investment income of \$5.3 million in comparison to a loss of \$36.9 million the previous year. This represents a \$5.8 million net investment income shortfall to budget (a budget shortfall of \$48.3 million in 2010-11). The various elements of net investment income are set out in Note 15 to the financial statements. In order to reduce the risk of currency exposure in

the portfolio, the Council tries to minimize the impact of changes in currency by hedging the non-Canadian portion of the portfolio, excluding emerging markets using a dynamic strategic hedging approach whereby the hedging by currency may range between 30% and 70% at a given point in time. The Council believes that net investment returns will improve in future years. Nevertheless, markets and world economic conditions remain uncertain. An important outcome is that the Council has adjusted its Expenditure Policy for the use of invested funds downwards and will budget \$1.2 million less in investment income made available for use in operations for the next several years. Gross interest and dividend income was \$13.7 million, a significant increase of \$8.2 million from the previous year and a positive indicator that the new investment income target is attainable.

Liabilities

As at March 31, 2012, the combined balance of liabilities was \$62.8 million, a decrease of \$2.9 million over the previous year. The major portion of this change is attributable to the \$2.7 million decrease in deferred revenues from externally restricted contributions from \$26.3M to \$23.6 million. This liability consists of accumulated income received which has been deferred until the resources for the purpose or purposes specified by the related endowments have been used. Further relevant information is disclosed in Note 11 to the financial statements. The original externally restricted endowment principal of \$37.6 million is required to be maintained intact and is reported under accumulated surplus (Note 14 to the financial statements), the endowment is in effect being treated as if it had been a revenue.

Other liabilities consist primarily of current liabilities that in the normal course of operations are expected to be paid within the next year and which have been included in the Council's expenses for 2011-12. They include the bank indebtedness, grants payable, accounts payable and accrued liabilities, derivatives, and deferred revenues. These deferrals pertain to Art Bank rental fees received in advance of their due date and the unamortized portion of the lease inducement received from the Council's landlord. Commencing January 2014, upon the move to the Council's new premises, the lease inducement value will increase by approximately \$5.5 million.

Liabilities also include employee future benefits, which represent the severance entitlements of the Council's employees and post-retirement benefits covering employees and retirees. As further disclosed in Note 10 to the financial statements the Council provided severance benefits to its employees based upon years of service and final salary. In accordance with the new collective agreement signed in February 2012, during 2012-13 these benefits will cease to accrue and employees will decide from several options regarding the timing and nature of the payout to them of the Council's obligation.

As set out in Note 5 to the financial statements, until 2010 the Council expensed annually the cost of the extended health benefits provided to retirees. The cost should have been measured by recognizing the change in the total value year-over-year of the future liability for these benefits. Consequently, the 2011 opening accumulated surplus

has been charged with \$1.3 million being the actuarially determined liability as at that date, and the 2011 salaries and benefits previously reported have been restated to recognize an additional expense of \$60,000.

Non-Financial Assets

Tangible capital assets include office equipment and leasehold improvements, which decreased by \$611,000 over the course of the year reflecting net declines in useful value of existing assets as represented by amortization. This asset category will increase in value in future years as the Council invests in the fit-up of its new premises and in new technology hardware, infrastructure and systems. Further information is set out in Note 12 to the financial statements.

The net change in prepaid expenses year-over year as at March 31 was minimal at approximately \$1,000.

Works of art and musical instruments appear on the Council's balance sheet at a nominal value of value of \$1. Previously, they were recorded at their historical acquisition cost which was \$20.7 million as at March 31, 2011. As a result of the conversion to PSAS, the Council decided between valuing these items either at \$1 similar to the collections of museums and galleries or at fair value similar to portfolio investments. The nominal valuation was chosen due to the difficulty in determining fair value each year for the entire collection.

The Council's Art Bank has the largest collection of contemporary Canadian art in Canada, with over 17,500 works, and rents these works of art to interested public and private sector organizations. The Art Bank reinvests any surplus from its operations in the acquisition of new works of art. The Council's Musical Instrument Bank owns or manages 16 historically-important, fine stringed instruments and a fine cello bow, which are loaned to gifted young musicians for three-year terms. Using a donation of funds from the Council's Edith Webb Endowment, in June 2011, the Council purchased a cello for \$500,000 which has been renamed the 1730 Newland Joannes Franciscus Celonius Cello and is now valued at \$750,000. Subsequent to the fiscal year end, in May 2012 an additional two violins were purchased using funds from the Webb Endowment. At March 31, 2012 the appraised value of the Council's works of art was approximately \$70 million and the appraised and insured value of its musical instruments was \$28 million.

Accumulated Surplus

ACCUMULATED SURPLUS CONSISTS OF THE FOLLOWING ELEMENTS AS AT MARCH 31:

<i>(in thousands of dollars)</i>	2012	2011
Accumulated Surplus		
Endowment –		
Original contribution	\$ 50,000	\$ 50,000
Endowment Principal – External restricted contributions	51,569	51,569
Reserve for excess investment income	118,445	121,445
Surplus	6,645	10,105
Total accumulated surplus from operations	\$ 212,659	\$ 219,119
Accumulated remeasurement losses	(145)	-
Accumulated other comprehensive income		533
Accumulated surplus balance	\$ 212,514	\$ 219,652

The \$50 million Endowment – Original contribution represents the remaining original government transfer in 1957 of endowments to enable the Council to be established. The externally-restricted endowment principal of \$37.6 million represents the original value of other endowment funds received by the Council over the years almost entirely from private individuals. By recording these values within accumulated surplus, the endowments, while held separate, are in effect being treated as if they had been revenues.

The Council's policy is that, in years when investment income exceeds the amount of net budgeted investment income, an amount may be transferred from the surplus to the reserve for excess investment income, and, in years when investment income is less than the amount of net budgeted investment income, an amount may be transferred to the surplus from the reserve for excess investment income. The reserve for excess investment income was reduced by \$3 million during the year (a reduction of \$45.3 million in 2010-11 resulting from recognition of impairment in investments). This represents the greater portion of the amount that investment income was below budget and brings the surplus to the value mandated by the Council's policy. This transfer to surplus did not provide current year funds to the Council which was able to conduct its activities without requiring drawdown from the invested portfolio. The total reserve of \$118.4 million at March 31, 2012 represents the sum of excess investment income relating to the original endowment principal since the establishment of the Council.

Surplus in the amount of \$6.7 million includes unspent grant budgets of previous years that are carried forward for a known future use and a balance of uncommitted funds to allow for the smooth operation of the Council. During the year the Council transferred \$3 million to surplus from the reserve for excess investment income.

Accumulated other comprehensive income (AOCI) was recognized up until March 31, 2011 but, in accordance with PSAS ceased to exist after that date. For the Council, the remaining AOCI balance was transferred to the April 1, 2011 opening balance of the statement of remeasurement gains and losses. These are the accumulated unrealized gains and losses net of reclassification upon realization for changes in fair value of the Council's non-restricted portfolio investments. After reclassifications, at March 31, 2012 net unrealized losses from portfolio investments and derivative financial assets were \$145,000 (net gain of \$533,000 at March 31, 2011).

Previously, the final reserve of the equity account related to the recognition of an amount which equaled the cost of the Council's works of art and musical instruments. They are now valued at a nominal \$1. This recognizes that the ownership of works of art and musical instruments provides physical and social, rather than financial, capital to the Council.

Operations

SUMMARY STATEMENT OF OPERATIONS FOR THE YEARS ENDED MARCH 31

<i>(in thousands of dollars)</i>	Budget 2012	Actual 2012	Actual 2011¹
Parliamentary appropriations	\$ 181,761	\$ 180,958	\$ 181,277
Net investment income	11,117	5,340	(36,942)
Other revenue	1,051	1,641	1,911
Total revenue	193,929	187,939	146,246
Programs	175,423	176,165	174,433
Canadian Commission for UNESCO	2,314	2,003	2,168
General administration	16,050	16,231	16,297
Total expenses	193,787	194,399	192,898
Annual surplus (deficit) from operations	\$ 142	\$ (6,460)	\$ (46,652)

¹ Comparative results for 2010 not provided as they were prepared under a different accounting framework

The Council's net financial result for the year is a deficit from operations of \$6.4 million in comparison to a budgeted net return of \$142,000 and a loss of \$46.7 million for 2010-11. The major item affecting the result is the \$5.8 million net investment income shortfall to budget (a loss of \$36.9 million and a budget shortfall of \$48.3 million in 2010-11). During the year, the Board approved spending a net \$2.5 million on grants using balances held in the Council's accumulated surplus for this purpose. Excluding the impact of this carry forward spending and the investment income shortfall, the Council had a net positive return on operations of \$1.9 million.

The Council believes that net investment returns will improve in future years. Nevertheless, markets and world economic conditions remain uncertain. An important outcome is that the Council has adjusted its Expenditure

Policy for the use of invested funds downwards and will budget \$1.2 million less in investment income made available for use in operations for the next several years.

During the year, net expenses other than grants were subject to the government's requirement to exercise fiscal restraint and could not exceed those of the prior year. For 2011-12 these net expenses were \$37.1 million in comparison to \$38.4 million for 2010-11.

Parliamentary Appropriations

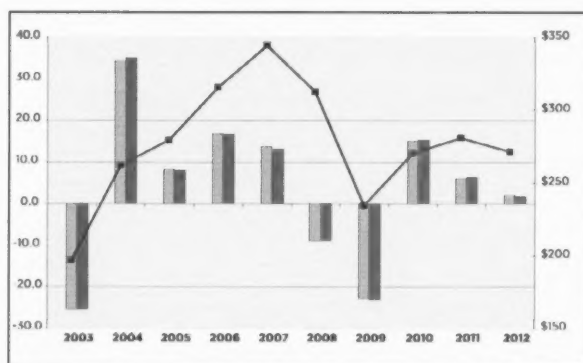
The Council receives an annual appropriation from Parliament which, for the year ended March 31, 2012, was \$181.0 million, \$0.3 million less than in 2010-11. This minor change relates primarily to lesser funding used from the National Translation Program that the Council operates on behalf of the Department of Canadian Heritage under a Memorandum of Agreement. Only similar minor changes to the Council's appropriation are anticipated for 2012-13, as, on March 29, 2012 the government tabled Budget 2012 which included the Deficit Reduction Action Plan and which confirmed that, unlike almost all other government departments and agencies, the Council's appropriation was not affected and there were no mandatory changes to Council's programs and activities. The Council continues to review its programs, their means of delivery and its supporting activities to ensure that they remain relevant to Canadians. All related savings realized will be reinvested into the arts sector.

Investment Income

The financial markets in which the Council invests are quite diversified and, in 2011-12 the Endowment and Special Funds and the Killam Funds had positive one year returns of 2.1% (5.9% in 2010-11) and 1.7% (6.2% in 2010-11) respectively. The investment portfolios continued to be affected by the varying recovery of world and Canadian equity markets and economies from the significant decline that occurred during the 2008-09 global economic slowdown. As at March 31, 2012, the fair value of the Council's investments was \$270.5 million, a decrease of \$8.7 million over the prior year. The extent and timing of changes in fair value, however, varies by investment and the Council annually tests each investment instrument for impairment. During the year the Council determined that all specific investment declines in fair value were not other than temporary and accordingly did not recognize impairment in their carrying value (an impairment of \$58.9 million was recognized in 2010-11).

The following chart shows the annualized portfolio returns for the last ten years of the Endowment and Special Funds and the Killam Funds against the benchmark return. It shows the impact of the 2008 economic downturn and the subsequent recovery.

ANNUALIZED PORTFOLIO RETURNS
(PERIODS ENDING MARCH 31)

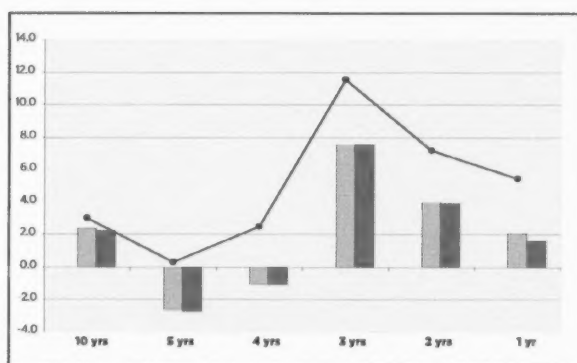


% Annualized Returns ■ Endowment Fund ■ Killam Fund —●— Market Value (\$M)

The Council's investment policy prescribes that cash can be withdrawn from the portfolio at a rate of up to 4.0% of the previous three-year average market value, using balances at September 30. During the year the Council's Board approved the reduction of this Expenditure Policy rate from 4.5% to 4.0% in recognition of diminished returns and the need to balance return with the long-term preservation of capital. In future years this will reduce the income available for use in operations by approximately \$1.2 million.

The following chart shows the annual portfolio returns for the Council in each year since 2003 and the corresponding effect that those returns have had on the year-end market value. The chart also demonstrates how the investment market returns can fluctuate year over year. The Council reinvests excess investment income above the budgeted amount in order to ensure the continued growth of the fund. This reinvestment is also intended to bring the value of the portfolio closer to what the original endowment amount from 1957 would be if expressed in today's dollars. This proactive approach helps bring additional stability and long-term growth for the Council. In years where investment income is not as favourable as expected, the Board may approve the use of previous years' capitalized income that is represented by the reserve for excess investment income, a component of accumulated surplus from operations on the statement of financial position. For 2011-12 the Council transferred \$3 million (\$45.3 million in 2010-11) from the reserve to surplus.

ANNUAL PORTFOLIO RETURNS
(PERIODS ENDING MARCH 31)



% Annual Returns ■ Endowment Fund ■ Killam Fund —●— Benchmark

Other Revenue

Net Art Bank revenue of negative \$372,000 is \$340,000 less than budgeted for the year and \$462,000 less than last year's reported figure. The major portion of this reduction results from artwork purchases of \$305,000 (\$68,000 in 2010-11) which before the transition to PSAS had been capitalized but now must be expensed. The decision to purchase art during the year was based on the availability of an accumulated surplus attributable to the Art Bank of \$732,000. The reduced net return also reflects the challenges of a declining level of rental of works of art by the federal government. The Art Bank is aggressively seeking new sources of rental revenue in the private sector while continuing to ensure that its activities remain aligned to the mandate of the Council.

Other revenue includes the cancellation of grants awarded in previous years, boardroom rental fees, donations, tax rebates, the amortization of inducements and others. These revenues can fluctuate from year to year; they increased by \$192,000 in 2011-12 but were \$930,000 higher than budget. In 2011-12, the Council received \$500,000 from the Alberta Foundation to complete the Alberta Creative Development Initiative program which was designed to support the development of the arts in Alberta. Also, the Council recorded as revenue a \$500,000 transfer from the Edith Webb Endowment to purchase a new 1730 Newland Joannes Franciscus Celoniatus Cello. These amounts were not originally budgeted for 2011-12.

Program Expenses

PROGRAM EXPENSES FOR THE YEARS ENDING MARCH 31 INCLUDE THE FOLLOWING THREE COMPONENTS:

	Budget	Actual	Actual
(in thousands of dollars)	2012	2012	2011
Grants	\$ 155,264	\$ 157,504	\$ 154,552
Administration	13,554	12,967	15,244
Services	6,805	5,894	6,657
	\$ 175,423	\$ 176,165	\$ 174,433

In 2011-12, program expenses accounted for 91% of Council's total expenses of \$194.4 million, the same percentage as in 2010-11. Program expenses were \$1.7 million greater than the previous year and \$742,000 greater than budget. Grants to artists and arts organizations represented about 89% of the total program expenses; they increased by \$2.7 million this year in comparison to the prior year. This increase resulted primarily from the intentional use of funds from the Council's surplus to deliver programs relating to the pooled acquisition of equipment by Media Arts organizations. Services include other types of support provided to the arts community, such as partnerships, advisory committees, research, workshop expenses, adjudication of programs, and program evaluation. These costs were lower than the previous year by \$763,000 and lower than budget by \$911,000 in both cases as a result of the implementation of cost efficiencies in the conduct of peer assessments and improved leverage of funds in the establishment of partnerships. Program administration costs represent the direct cost of operating the Council's programs. These include salaries, benefits, travel and professional services, and they decreased \$277,000 over 2010-11 indicating the success of the Council's efforts to exercise fiscal restraint and seek economies regarding these costs. The Council will continue these efforts over the next three fiscal years.

The Canadian Commission for UNESCO

The Canadian Commission for UNESCO (CCU) operates under the general authority of the Canada Council. The CCU spent \$2,003,000 in 2011-12, a decrease of \$165,000 from 2010-11 and \$311,000 under budget. The CCU coordinates UNESCO program activities in Canada; encourages Canadian participation in UNESCO activities abroad, including the provision of expert advice and assistance from both governmental and non-governmental organizations; and provides advice about future UNESCO programs and budgets to the Department of Foreign Affairs and International Trade. The CCU also initiates activities in Canada to advance and obtain visibility for UNESCO's program objectives.

General Administration

General administration expenses include the cost of Council Secretariat, Communications and Corporate Services (which includes Finance, Human Resources, Information Management and Administrative Services). Items include salaries, benefits, travel, professional services, amortization, accommodation and others. These costs were \$66,000 lower than those reported in 2010-11 and were \$181,000 over budget. While this increase compared to the budget represents the net effect of wage increases and inflation, the major portion increase results from a one-time year over year increase of \$361,000 in the current service cost of severance benefits. Under the terms of the Council's new collective agreement with the Public Service Alliance of Canada PSAC the accrual of these benefits, and therefore the cost, will cease effective July 2012. The Council will continue to exercise fiscal restraint and seek economies regarding general administration costs in the next three fiscal years.

Remeasurement Gains and Losses

Accumulated remeasurement losses of \$145,000 represent the net decline in fair value of portfolio investments and derivatives other than those realized through sale or disposal. This measure did not exist prior to April 1, 2011. As at March 31, 2011 an analogous measure used under the previous accounting framework, accumulated other comprehensive income, was \$533,000. Recorded net measurement losses for the year were \$678,000.

Cash Flows

Operating Transactions

Cash provided by operating activities was \$1.7 million in comparison to \$2.8 million in 2010-11. This change is mostly accounted for by the reduction in other non-cash items as set out in Note 18 to the Financial Statements.

Capital Transactions

Cash used to acquire tangible assets was \$0.5 million in comparison to \$1.2 million the previous year. This usage is expected to increase significantly in the next few years as the Council fits-up its new premises and invests in new information systems.

Investing Transactions

Net cash used by investing activities was \$0.6 million down from a use of \$4.9 million the previous year. However, the value of underlying transactions incurred in the course of rebalancing the Council's portfolio increased significantly. During 2011-12 the Council acquired portfolio investments valued at \$118.8 million (\$52.7 million in 2010-11) and disposed of investments valued at \$118.2 million (\$47.8 million in 2010-11).

Risk Management

Effective risk management is fundamental to the success of the Council in fulfilling its mandate. The Council is developing a strong risk management culture where risk management is a responsibility shared by all of its employees. The primary goals of enterprise risk management are to ensure that the outcomes of risk taking activities are consistent with the Council's plans, strategies and risk appetite.

The Council's risk management framework consists of four key elements:

- Risk Governance
- Risk Appetite
- Risk Profile (assessment and mitigation)
- Financial Risk (mitigation)

Risk Governance

The Council's risk management governance begins with oversight by its Board, either directly or through its committees to ensure that decision-making is aligned with strategies and appetite. The Board receives regular updates on the Council's key risks including regarding its risk profile and related mitigation, financial performance and performance of the investment portfolio. The Council's executive management are responsible for risk management under the direct oversight of the Board.

In 2011-12, the Council recognized the need to qualitatively define its risk appetite and to update and revise its Corporate Risk Profile, identifying and including any changes in the Council's risk environment. This included re-assessment of the risks and updates to the Council's risk universe which represents the portfolio of significant potential risks

to be managed by the Council at any given point in time. The 2011-12 risk universe is illustrated below:

Risk Appetite

In 2011, the Council also established a risk appetite statement in order to provide a qualitative description of its approach to accepting risk in the management of its business. This statement was approved by the Board at its January 2012 meeting. The Council's risk appetite statement is as follows:

"The Canada Council for the Arts follows a prudent risk-taking approach in managing the organization. It defines prudent risks as those seen to contribute to the organization's capacity to better deliver its mandate within a range of consequences that are well understood and appropriately mitigated.

The Council has low appetite for risks that could negatively impact the rigour and transparency of our granting processes, given that this is foundational to the legitimacy of the Council's mandate. Similarly, the Council has a low appetite to undertake financial risks that would negatively impact our cost-effectiveness and investment performance, given the critical importance of appropriately managing financial resources to our ability to provide funding and support to the arts community.

With regards to our suite of funding programs and support to the arts community, we have a low appetite for risks that would hinder our ability to be flexible and responsive to changes in the arts ecology and economic conditions and a low appetite for risks that would adversely affect

Corporate Risk Categories

STRATEGIC

Risk related to the strategic management of the Council and relationships with its shareholders and stakeholders

PROGRAM DELIVERY
Risk related to the Council's core granting processes

ENABLING ACTIVITIES
Risk related to the Council's support and operational processes

COMPLIANCE
Risk related to the non-compliance with external/internal requirements

Corporate Risks

STRATEGIC

- Revenue uncertainty
- Change overload
- Strategy execution
- Demonstration of results
- Stakeholder communications
- Resumption of business following a disaster
- Governance
- Clarity of decision-making authorities / process
- Reaction to potentially adverse events

PROGRAM DELIVERY

- Funding controversies
- Funding gaps / non-strategic duplication of funding
- Suite of programs / levels of funding
- Peer assessment process
- Rigour and transparency of the granting process
- ASU support
- Research support
- Implementation of partnerships

ENABLING ACTIVITIES

- Information technology
- Breach of data privacy / security
- Human resources capacity / competency / succession planning
- Budget management
- Knowledge and records management
- Communication support

COMPLIANCE

- Compliance with external requirements / obligations
- Compliance with internal financial policies and procedures
- Compliance with internal HR policies and procedures
- Compliance with internal granting policies and procedures

support of the arts infrastructure in Canada. That notwithstanding, the Council has a high appetite for artistic risk. Notably, we maintain a high appetite for risks related to the Council's support of artistic aspirations, creativity and innovation as this is essential to the development and evolution of a vital and diverse arts sector that enriches the lives of all Canadians. In that context, we have a moderate appetite for risks that could affect our ability to build and sustain reputational strength with key stakeholders.

To enable the Council to continuously improve its operating performance, we are willing to take on moderate risks for opportunities that could lead to improved internal structure, staffing and services as well as overall strategy execution. However, we will manage any risks taken in this regard within the constraints of our core values, organizational culture, and commitment to staff.

Ultimately, we will manage the organization in a way that will enable us to deliver on our mandate and strategic directions and to demonstrate results. We will be cautious in our acceptance of any risks that could hinder our abilities to do so.

The Council ensures that it fulfills its mandate and operates as a high performance organization through effective governance by its Board. The Council has a low appetite for any risks that would affect its capacity to independently govern itself."

Risk Profile

Using the Council's risk appetite as key context, the following risks, as identified and assessed during the 2011-12 risk assessment process, are considered to be outside of the Council's appetite. Consequently, for these, focused updated risk mitigations will be undertaken under the oversight of assigned members of the executive management in order to reduce the risk exposure:

- Revenue uncertainty
- Change overload
- Information technology effectiveness
- Human Resource capacity
- Demonstration of results

Financial Risk

The Council is exposed to a variety of financial risks as a result of its activities. These include credit risk, liquidity risk and market risk. Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Council. The majority of the Council's receipts are due from the Government of Canada and, as such, have low credit risk. Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they fall due. The Council currently receives most of its revenues by way of parliamentary appropriation drawn down monthly. That revenue is invested in a short-term pooled fund until it is required. The Council's parliamentary appropriation for 2012-13 and future years is not affected by the government's Deficit

Reduction Action Plan. This significantly reduces revenue uncertainty from this source and liquidity risk. The Council's activities are primarily exposed to price risk, interest rate risk and currency risk. The directive to the Council's investment managers is to manage the Council's market risks on a daily basis in accordance with the Council's policies. Overall market positions are monitored quarterly by the Board of Directors and the Investment Committee. Note 9 to the financial statements sets out the Council's financial risks and investment fair value in greater detail.

Accounting Standards And Policies

In December 2009, the Public Sector Accounting Board (PSAB) amended the Introduction to Public Sector Accounting Standards (PSAS). This amendment eliminated the Government Business Type Organization (GBTO) classification which had applied to the Council and which had enabled the Council to present its financial statements applying the standards of the CICA Handbook rather than PSAS. The CICA has replaced these standards with a series of new standards varying by type of enterprise, none of which are appropriate to the Council. Therefore, the Council revised its classification to Other Government Organization (OGO) having determined that the most appropriate accounting framework that meets the financial information disclosure needs of its stakeholders are the PSAS related to this classification. The Council adopted the new accounting framework effective April 1, 2011.

Also, as a result of changes to the Financial Administration Act, effective April 1, 2011 that applies to all Crown Corporations the Council is required to provide financial statements to the Government of Canada within 60 days of the end of each fiscal quarter. Those unaudited quarterly financial statements, the first ever for the Council, were prepared in accordance with PSAS, submitted to government and publicly disclosed on the Council's website.

The transition to PSAS involved the redetermination, revision and re-establishment of accounting policies and the resolution of several significant accounting issues. Note 2 to the financial statements sets out significant matters relating to this transition and reconciles account balances and transactions from the previous accounting framework to the current method of presentation. Relevant aspects of these reconciliations are discussed and analyzed elsewhere in this Financial Overview. For each financial statement format of disclosure and the definition and measurement of most items disclosed has changed from that of the predecessor statement. The following summarizes the main qualitative differences between the previous and current financial statements:

- The Balance Sheet has been replaced by a Statement of Financial Position that segregates financial assets, net financial assets, non-financial assets and accumulated surplus.
- The Statement of Operations continues to set out realized operating results for the year.
- The Statement of Comprehensive Income has been replaced by the Statement of Remeasurement Gains and Losses.

- The Statement of Changes in Net Equity has been replaced by the Statement of Changes in Net Financial Assets. Changes in Accumulated Surplus are now disclosed in Note 14 to the Financial Statements.

In the course of transitioning to PSAS the Council adopted all standards in effect as at April 1, 2011. In addition several new PSAS standards have later mandatory effective dates with optional early adoption. Generally, the Council chose to "early adopt." Relevant information is further disclosed in Note 3 to the financial statements. The adoption of PSAS 3450 – Financial Instruments is of special significance as it allows the Council to continue to use fair value accounting for its investments. Other early adopted standards relate to:

- Portfolio Investments
- Foreign Currency
- Financial Statement Presentation
- Government Transfers

The transition to PSAS causes significant issues in relation to the presentation of comparative information. These could not be resolved with regard to the Council's quarterly financial statements. Therefore, the Council obtained an exemption from the Treasury Board of Canada Secretariat that provided some relief regarding comparative presentation during the year. The comparative issues were resolved in the preparation of audited statements for the year ended March 31, 2012 but readers should keep in mind the standards transition impact when reviewing the financial statements. Notably, the concept of remeasurement gains did not exist for the Council before April 1, 2011 and therefore there are no comparative figures presented regarding remeasurement. Conversely, the concept of other comprehensive income (similar but different to remeasurement gains) has ceased to exist and, accordingly, there is no current year comparative information presented.

Note 4 to the financial statements sets out the Council's significant accounting policies.

Use of Appropriation

The following information is intended to supplement that provided elsewhere in this discussion regarding the Council's use of its Parliamentary appropriation.

The Council receives its main funding through Parliamentary appropriation voted by Parliament. The Council records the Parliamentary appropriation received in the period as revenue in the Statement of Operations. The Council submits a monthly cash flow analysis to the Department of Canadian Heritage to justify its monthly drawdown cash requirements. The monthly drawdown is invested in a short term pooled fund managed by a professional investment manager from which the Council draws its daily cash requirements.

THE PARLIAMENTARY APPROPRIATION APPROVED AND RECEIVED BY THE COUNCIL DURING THE FISCAL YEAR WAS AS FOLLOWS:

<i>(in thousands of dollars)</i>	2012	2011
Operating funding		
Approved annual funding –		
Vote 10 – Operating costs	\$ 181,761	\$ 181,697
Supplementary estimates	157	127
Frozen allotment 2010-11	-	(186)
Reduction to non-recurring funding		
for programming initiatives operated		
under Memoranda of Agreement	(960)	(361)
Operating funding received and recorded		
in the Statement of Operations	(180,958)	(181,277)
Balance of operating funding to be received	-	-

Due to the timing of the 2011 federal election, the Council's initial cash requirements against its appropriation were supplied through the use of Governor General's Special Warrants. Supply was formally approved by Parliament when it was recalled in June 2011.

MANAGEMENT'S DISCUSSION & ANALYSIS NOTES:

¹ Hill Strategies Research Inc. *Canadians' Arts, Culture and Heritage Activities in 2010*. February 2012.

² The 2008 Special Examination by the Office of the Auditor General of Canada (OAG) concluded that the Council's systems and practices "had no significant deficiencies. In fact, the Council's systems and practices have contributed to its success in several areas." The OAG provided the Council with seven recommendations to strengthen its operations and policies. Among these were recommendations that the Council "... better evaluate the results of its grants programs" and "examine the range of its 140 financial assistance programs, to facilitate their

administration and evaluation." The Council accepted all recommendations, five of seven are done, with two well under way.

³ Canadian Public Arts Funders (CPAF) is a network that fosters and supports the arts in Canada through cooperation and collaboration of national, provincial and territorial arts councils and equivalent public arts funders. The national member of the network is the Canada Council, which also acts as the secretariat.

⁴ CADAC (Canadian Arts Data / Données sur les arts au Canada) is an integrated financial and statistical system for arts organizations applying for operating funding. Members: Alberta Founda-

tion for the Arts, British Columbia Arts Council, Canada Council, City of Greater Sudbury, City of Mississauga, City of Vancouver, New Brunswick Department of Wellness, Culture and Sport, Manitoba Arts Council, Ontario Arts Council, Saskatchewan Arts Board, Toronto Arts Council.

⁵ The Canada Council for the Arts distributes annual payments to Canadian authors through the Public Lending Right (PLR) program as compensation for the free public access to their books in Canadian public libraries.

⁶ UNESCO: United Nations Educational, Scientific and Cultural Organization.

The Canada Council: Where you are

The Canada Council is where Canadians are: in their communities, on the web, on social networks. The artists and arts organizations that receive grants and prizes in turn bring the arts to life in thousands of communities. This past year, the winners of Governor General's Awards – both literary, and visual and media arts – proved, without a doubt the vitality of our culture.

Connecting Canadians to great books

The Governor General's Literary Awards (the GGs), funded and administered by the Canada Council, celebrated 75 years of great books. The Council partnered with nine literary festivals across the country to put readers in touch with authors through readings, discussions and podcasts. The CBC and Radio-Canada spread the word online and on-air through videos, quizzes, commissioned writing and a public writing contest. Indigo Books & Music promoted the awards to their shoppers with book signings and online promotions.

People created their personal bookshelves of GG-winning books on Facebook and shared them with friends. And news about the national literary awards and the 75th anniversary trended in the tweepsphere. Students and teachers had the opportunity to study GG-winning books, create videos inspired by them, and meet the authors (virtually and live) as part of Listen, I read. The project was organized by the Council's Public Lending Right program – as part of its 25th anniversary – in partnership with the Canadian Commission for UNESCO and the Canadian Teachers' Federation.



Top: Past GG winner John Vaillant at a live CBC interview during LitFest, Edmonton's international literary festival. Photo: Donna Fong. Bottom: 2011 GG winners signing books at the downtown Ottawa location of Indigo Books & Music.

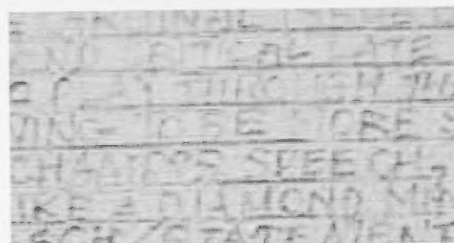


"I can't overstate how much the [Canada Council] grant saved me," said Patrick deWitt, GG fiction winner for *The Sisters Brothers*. The funds allowed him to finish the book rather than return to a job in construction to support his family. "I think it benefited the book in a really tangible way."

Cover of Patrick deWitt's *The Sisters Brothers* (House of Anansi Press). GG 2011, fiction.

The artist as communicator

Following the buzz of the literary GGs in the fall, the winners of the Governor General's Awards in Visual and Media Arts (GGAVMA) were a highlight of the spring. Performance artist Margaret Dragu blogged from "behind the scenes" at the celebratory events. Artist-goldsmith Charles Lewton-Brain forwarded the news to his extensive online networks. During the press conference, the Council tweeted the highlights of the eight winners' speeches. Many arts organizations joined the Council to get the news out via the web. And thousands of viewers watched videos on YouTube of the winners speaking clearly and passionately about their exceptional achievements and the role of the public in their creative endeavours. The Council's awards webpage also features events and exhibits where the public can see the artists and their work in person.



Stills from video interviews with 2012 GGAVMA winners Ron Martin (Toronto) and Charles Lewton-Brain (Calgary). Details of Ron Martin's works: *World #27, 1970* (top) and *Page Series, Forward, 1998* (bottom)



2012 GGAVMA winner Jana Sterbak (Montréal). Photos: Martin Lipman

"I believe that if we are in the public arena, we have certain obligations.... to be a hermit, to be closed to others, is pointless. Contemporary art is a means of communication." — Jana Sterbak

Governance

Connections Engagement Public Arts Change Technology Communities Transparency Adaptability Flexibility Leadership Trust Responsiveness Synergy Artists Partnership Equity Knowledge Experience

Governance

Board Mandate

The Canada Council for the Arts is governed by a Board consisting of a Chair, Vice-Chair and nine other members from across Canada. Members are appointed by the Governor-in-Council for fixed terms. The Board meets at least three times a year and is responsible for the organization's policies, programs, budgets and grant decisions.

As stewards of the organization, the Board oversees the organization's governance. It conducts the Council's business, directs Management and ensures that all major issues affecting the Council are given proper consideration. The Board is accountable to Parliament through the Minister of Canadian Heritage.

The general duties of the Board are described in the Canada Council's *Governance Policy* and the *By-laws*.

HIGHLIGHTS

In 2011-12, the Board:

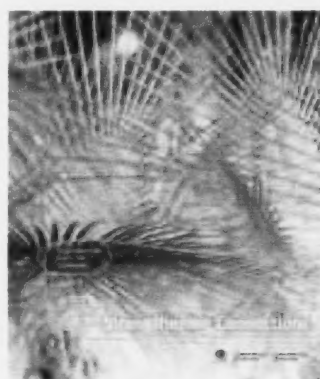
- held three meetings in Ottawa, one meeting in Calgary, and one teleconference
- held its Annual Public Meeting in Calgary
- approved *Strengthening Connections: Corporate Plan 2011-16*
- endorsed a new communications plan and brand strategy
- approved the annual Financial Overview and Financial Statements, the quarterly financial statements, and the annual budget
- approved the risk-based internal audit plan
- reviewed the corporate risk profile and the risk mitigation plans, and endorsed the risk appetite statement
- approved the leasing of a new office facility for the Canada Council in 2014
- approved the purchase of instruments for the Musical Instrument Bank
- approved major program modifications and grants over \$100,000



Board Independence

All members of the Board are independent directors. While the Director/CEO and Executive Management attend Board meetings to provide information and report on activities, only members may vote and make decisions. Board committees are composed of Board members, with some committees expanded to include external experts selected for their knowledge and expertise.

Strategic and Corporate Planning



The Board is responsible for overseeing and approving the overall policies of the Council, formulating and approving the Strategic Plan and assessing its implementation.

In June 2011, the Board approved *Strengthening Connections: Corporate Plan 2011-16*, which addresses how the

Council intends to implement its strategic directions and vision. This document outlines the Council's business and activities and establishes its priorities, objectives, strategies, performance indicators and desired impacts. A summary is available on the Council's website.

Management reports to the Board on how the Council is performing in relation to the objectives set out in the Corporate Plan and on the results achieved throughout the year. This regular monitoring of corporate performance assists the Board in its decision-making and provides a key accountability framework for the work of the organization.

Risk Management

The Board identifies and assesses on a regular basis the principal risks inherent in the Council's activities and its external environment. It ensures that appropriate systems to monitor, manage and mitigate these risks have been implemented. This involves briefings from management, as well as reports from the Council's internal and external auditors.

The Board reviews the risk mitigation plans at regular intervals throughout the year. In 2011-12, the Board reviewed and endorsed the risk appetite statement.

1871 Jean-Baptiste Vuillaume violin, collection of the Musical Instrument Bank. Photo: Curtis Lantinga

Culture of Ethical Business Conduct

Board members, as public office holders, are bound by the federal government's *Conflict of Interest Act*, the *Ethical Guidelines for Public Office Holders*, as well as the *Code of Ethics for Canada Council Board Members*. The Board is required to disclose any conflicts of interest on an annual basis, and as they occur throughout the year.

Corporate Social Responsibility

The Canada Council is committed to carrying out its mandate in an environmentally, socially and ethically responsible manner in accordance with its values and principles.

In an effort to fulfill this commitment, Council continues to:

- conduct its business with honesty, integrity and fairness
- strive to reduce its environmental footprint by incorporating environmental sustainability considerations into its plans, activities and projects
- provide an organizational climate that stimulates and supports employee performance and development

The Board is responsible for overseeing these commitments. The Board is responsible for ensuring the integration of social, environmental and ethical considerations into all Board-related matters.

Board Renewals and Appointments

The Board advises the government on appropriate selection criteria for the Chair of the Board, as well as competency profiles and future needs for Board members and for the position of Director/CEO.

"It is a priority that candidates represent or reflect Canada's official languages, regions, different generations, Aboriginal Peoples, cultural diversity, gender equity and persons with disabilities."

The Governance and Nominating Committee maintains an up-to-date skills and expertise profile based on the Council's mandate, strategies, strengths and weaknesses, and the key issues and challenges facing the organization. Along with experience in the arts and expertise in areas such as finance and governance, it is also a priority that candidates for appointment represent or reflect Canada's official languages, regions, different generations, Aboriginal Peoples, cultural diversity, gender equity and persons with disabilities. A skills and expertise profile, and suggestions of potential candidates, have been provided to the Minister of Canadian Heritage in response to current and upcoming vacancies.

David McKay (Fredericton, NB) was appointed for a four-year term, effective March 1, 2012. Barbara Burley (St. Andrews, NB) was reappointed for a four-year term, effective December 3, 2011. Anna Porter (Toronto, ON) was reappointed for a four-year term, effective January 29, 2012. At March 31, 2012, there were two Board vacancies.

NEW BUILDING - 150 ELGIN



New building
LEED Gold Design



Other new office
buildings in Ottawa



Current building
(estimate)



Average Ontario
office building

Left:
Illustration of
reduced carbon
"footprint" of
new building
(# kilograms of
greenhouse gas
emissions per
square foot).

Right: Artist
renderings of
front exterior
and public
greenspace.



Board Orientation and Continuing Education

New Board members are provided with an orientation session and information package, and attend all committee meetings at the time of their first Board meeting. The information package includes descriptions of the roles of the Board, its committees and members, relevant policies and information relating to the Council and its management. New Board members also meet with the Council's Executive Management Group to discuss the organization's key functions and activities.

In 2011-12, as part of the continuing education program, Board members participated in professional development sessions led by Council staff, on the following topics:

- equity (June 2011)
- peer assessment (January 2012)
- social media (March 2012)

Board Performance Evaluation

Every year, under the direction of the Governance and Nominating Committee, the Board undertakes an evaluation of the performance of the full Board and its committees. Work is undertaken throughout the year to implement the recommendations resulting from the Board evaluation.

Senior Appointments

Guided by standard staffing principles and practices, a recruitment and selection process is in place for senior management positions. Staffing processes are managed either by Human Resources or by an executive search firm. Job profiles are regularly reviewed and updated. Vacancies are advertised nationally, as well as on the Council's website for a minimum of one month. Hiring and selection committees include experts who also represent Canada's cultural diversity and official languages.

In 2011-12, there were two senior appointments:

- Tara Lapointe, Head, Marketing Communications (April 18, 2011)
- Caroline Lussier, Head, Dance (September 6, 2011)

Director/CEO Assessment Activities

The Director/CEO is accountable to and reports to the Board, carries out its policies and directives, attends meetings of the Board and Board committees, and represents the Council personally or through a delegate in its relations with government departments and agencies, and with other organizations. The Director/CEO keeps the Board updated on important factors affecting the achievement of the Council's strategic objectives.

The Director/CEO's performance is assessed annually by the Board, according to the Privy Council Office's *Performance Management Program for Chief Executive Officers of Crown Corporations*. The Board communicates the results of the Director/CEO's annual performance appraisal to the Minister of Canadian Heritage.



Canada Council Chair Joseph L. Rotman and Vice-Chair Simon Brault at the 2011 Governor General's Literary Awards ceremony at Rideau Hall, Ottawa.
Photo: MCpl Dany Veillette, Rideau Hall
© 2011 Office of the Secretary to the Governor General of Canada

The Canadian Commission for UNESCO and the Canadian Coalition of Municipalities Against Racism and Discrimination published a toolkit to help municipalities working to eradicate racism and discrimination from their communities.

Communications with the Minister of Canadian Heritage, Parliamentarians and Other Stakeholders

Good governance requires transparency and accountability. It is important for the Council, as a federal Crown corporation, to communicate effectively and in a timely manner with parliamentarians, government and other key stakeholders, such as the arts community, and the public. The Board is responsible for ensuring that the Council communicates effectively and consistently with the Minister and officials in the Department of Canadian Heritage.

Among the key documents provided to the Minister, parliamentarians and other stakeholders in 2011–12 were the Canada Council's Corporate Plan and Summary, Annual

"Good governance requires transparency and accountability."

Report and a compendium of funding provided to artists and arts organizations (including a national overview and provincial and territorial profiles). These reports are available on the Canada Council's website.

Reporting Requirements

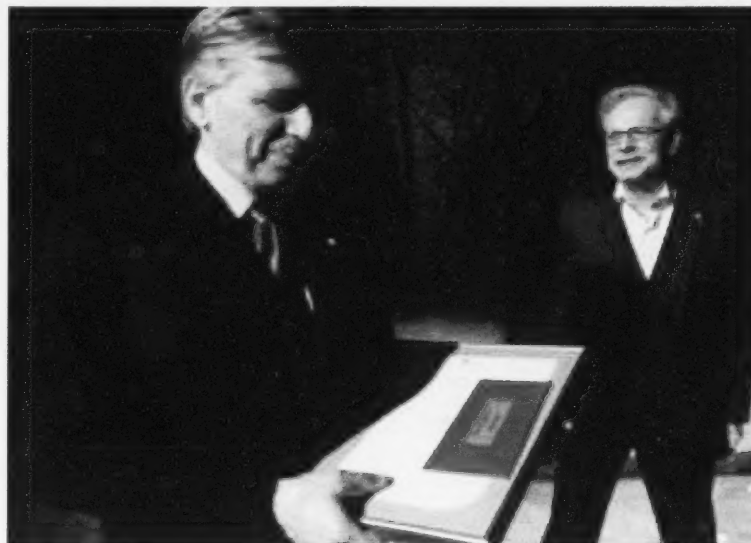
In accordance with specific acts and regulations, and to ensure ongoing communications and transparency, the Council submits a number of reports on an annual basis to different government departments.

Access to Information Act and Privacy Act (ATIP)

The *Access to Information Act* provides the public with accessibility to official records under the control of the Canada Council. The *Privacy Act* provides citizens with the right to access personal information held by the Canada Council and protection of that information against unauthorized use and disclosure.

Annual ATIP reports, which include statistical data on the Council's administration of the Acts, are submitted to Treasury Board. The 2010–11 ATIP report was tabled on August 17, 2011.

NB artist Herménégilde Chiasson (left) was awarded the 2011 Molson Prize in recognition of his exceptional artistic achievements and deep commitment to Acadian culture. Shown here with Canada Council Vice-Chair Simon Brault. Photo: Francine Dion



Canadian Multiculturalism Act

The *Canadian Multiculturalism Act* provides for the preservation and enhancement of multiculturalism in Canada. The Canada Council's Equity Office is responsible for pursuing the requirements of this Act, and for completing an Annual Report on the Operation of the *Canadian Multiculturalism Act*. This report was submitted to Citizenship and Immigration on May 25, 2011.



Official Languages Act

The Council is responsible for the implementation of parts IV, V, VI and VII of the *Official Languages Act*. The Council, through the National Coordinator for the Implementation of Section 41, submits a multi-year action plan to the Department of Canadian Heritage regarding Section 41 of Part VII of the Act. This was done in January 2012.

Section 41 refers to the federal government's responsibilities under the Act toward Official Language Minority Communities (Francophones outside Quebec, Anglophones in Quebec) and to the promotion of English and French in Canadian society. An annual report was submitted in July 2011. (See image below for an example from this document.)

The Council also presents an annual report detailing its activities under Parts IV, V and VI to the Treasury Board Secretariat. This report was submitted on May 17, 2011.

These documents are available on the Council's website. As of 2012, they will be consolidated into one integrated document.

Employment Equity Act

The Canada Council for the Arts is committed to employment equity and is governed by the rules and regulations of the *Employment Equity Act*. The Act and Regulations seek to identify and remove employment related barriers faced by women, Aboriginal Peoples, persons with dis-

*"The Canada Council for the Arts is committed to employment equity and is governed by the rules and regulations of the *Employment Equity Act*."*

abilities and members of visible minorities (the four designated groups) and to ensure that these groups achieve a degree of employment which is, at least, equal to their representation in the workforce as defined by qualification, eligibility or geography.

As a federal organization with over 100 employees, the Canada Council files an annual Employment Equity Report with Human Resources and Skills Development Canada. The 2010 report was submitted on June 1, 2011.

Annual Public Meeting

On October 18, 2011, the Council held its Annual Public Meeting in Calgary. It reported on its recent activities and plans for the future, released the summary of its new corporate plan, and received feedback from interested stakeholders. The Director/CEO, the Chair, the Vice-Chair and all other members of the Board, as well as senior staff, were present. A transcript of the meeting is available on the Canada Council's website.

Board Committees

Board committees enhance the overall effectiveness of the Board by ensuring closer focus, oversight and monitoring of areas of particular concern. There are four standing committees of the Board:

- Executive Committee
- Audit and Finance Committee
- Governance and Nominating Committee
- Investment Committee

The committees' roles, responsibilities and reporting requirements are defined in the By-laws. The Board Communications Strategy Working Group is an ad hoc committee with a time-limited mandate from June 2010 to October 2011.

Executive Committee

The Executive Committee acts on behalf of the Board (with exceptions related to the approval or amendments of By-laws, policies, budgets, financial statements, grants or the Annual Report) in the interval between meetings of the Board.

Membership: Joseph L. Rotman (Chair), Simon Brault and Rosemary Vodrey.

HIGHLIGHTS

In 2011-12, the Executive Committee:

- reviewed and recommended for approval the Director/CEO's performance assessment
- oversaw the work undertaken by the Board Communications Strategy Working Group

Audit and Finance Committee

The Audit and Finance Committee is responsible for the oversight of the Council's financial performance and ensures the integrity, effectiveness and accuracy of Council's financial reporting, control systems, integrated risk management processes and audit functions.

Membership: Simon Brault (Chair), Luc LaRochelle, Anna Porter, Jean Saucier (until December 2011) and Jerry Mazerolle (until February 2012). At March 31, there were two vacancies.

HIGHLIGHTS

In 2011-12, the Audit and Finance Committee reviewed:

- the quarterly and annual financial statements, along with updates on financial reporting standards and Canadian auditing standards
- the annual budget proposal, along with Council's fiscal restraint plan
- the Delegation of Authority Policy
- the quarterly Investment Committee reports
- the risk-based internal audit plan and internal audit reports
- the annual financial audit plan of the Office of the Auditor General
- the reports on internal disclosure of information concerning wrongdoing in the workplace
- the corporate risk profile and the risk mitigation strategies

Governance and Nominating Committee

The Governance and Nominating Committee is responsible for ensuring that proper structures and processes are in place for the effective oversight and direction of the Council's activities, including establishing a process to assess the Board's performance; orienting new Board members; reviewing the corporate by-laws and governance framework regularly; and maintaining a list of criteria for filling Board vacancies.

Membership: Barbara Burley (Chair), Simon Brault, Susan Knight, Philip Ponting and Thomas Hill (until January 2012). At March 31, there was one vacancy.

HIGHLIGHTS

In 2011-12, the Governance and Nominating Committee:

- oversaw the annual Board evaluation process
- reviewed the committee appointment process
- reviewed and updated the By-laws and Governance Policy
- developed a professional development plan for Board members
- worked with the Chair of the Investment Committee to undertake an assessment of the Investment Committee
- oversaw the planning of the Council's Annual Public Meeting
- updated the Statement of Board Requirements, as part of the process in addressing current and upcoming Board vacancies

Investment Committee

The Investment Committee is responsible for overseeing and providing expert advice on the Council's investment portfolio, including recommending Board policies with respect to investments, hiring professional fund managers and monitoring their activities.

Membership: Anna Porter, Jean Saucier (until December 2011) and the following external experts: Tania Willumsen (Chair), Henry W.C. Gibbs, Susan Luke Hill, Ann Marshall, John H. Matthews, George Mavroudis and William J. Smith (until July 2011). At March 31, there was one vacancy for a Board representative.

HIGHLIGHTS

In 2011-12, the Investment Committee:

- closely monitored Council's investments in a time of fluctuating markets, and had regular meetings with managers to review their performances
- retained a new global manager
- undertook a comprehensive review of the committee's structure and governance, and updated the committee's terms of reference
- revised the Investment Policy to address current economic concerns
- proposed the appointment of George Mavroudis, effective October 19, 2011

Board Communications Strategy Working Group (ad hoc)

Under the direction of the Executive Committee, the Board Communications Strategy Working Group was tasked with reviewing the overall Board communications practices, and providing advice for the planning and development of a communications framework and branding strategy. The working group completed its mandate in October 2011, when the final recommendations were presented to, and approved by, the Board.

Membership: Rosemary Vodrey (Chair), Thomas Hill, Luc LaRochelle, Philip Ponting and Anna Porter.

Other Bodies

Certain Board members also serve on other bodies: Susan Knight serves on the Executive Committee of the Canadian Commission for UNESCO; Luc LaRochelle serves on the Public Lending Right Commission and Rosemary Vodrey serves on the Advisory Committee for Racial Equality in the Arts. Thomas Hill served on the Aboriginal Arts Advisory Committee (Kakaekwewin) until January 2012.



Proactive Disclosure

The disclosure of grants and contributions, travel and hospitality expense information of senior executives, contracts entered into for amounts over \$10,000, reclassification of positions and summary reports of completed access to information requests are posted on the Council's website.



Canada Council Board member Rosemary Vodrey (second from right) at an award ceremony for the 2011 Killam Prizes. Photo: Claude Biron

The Canada Council's updated brand is being rolled out across all materials, including the website and blog.



Canada Council Board and Director/CEO (left to right): Thomas Hill, Philip Ponting, Barbara Burley, Susan Dyer Knight, Robert Sirman, Simon Brault, Joseph L. Rotman, Rosemary Vodrey, Luc LaRochelle, Anna Porter, Jean Saucier, David McKay, Jerry Mazerolle. Photo: Martin Lipman and Ned Pratt

Board and Board Committee Attendance: April 1, 2011 to March 31, 2012

	Board Meetings	Executive Committee	Investment Committee	Audit and Finance Committee	Governance & Nominating Committee	Board Communications Strategy Working Group
Total Number of Meetings	5	5	4	7	5	5
Joseph L. Rotman, Chair	5	5				
Simon Brault, Vice-Chair	4	5		7	4	
Barbara Burley	5				5	
Thomas V. Hill	3 of 4				3 of 4	4
Susan Knight	4				5	
Luc LaRochelle	5			6		5
Jerry Mazerolle	4 of 4			6 of 6		
David McKay	1 of 1					
Philip Ponting	4				5	4
Anna Porter	4		4	6		4
Jean Saucier	3 of 3		3 of 3	5 of 5		
Rosemary Vodrey	5	5				5

NOTES:

- Thomas V. Hill's term ended January 28, 2012.
- Jerry Mazerolle's term ended February 25, 2012.
- David McKay was appointed March 1, 2012.
- Jean Saucier's term ended December 2, 2011.

Disclosure of Wrongdoing

The Council's Policy on the Internal Disclosure of Wrongdoing in the Workplace is based on the requirements of the *Public Servants Disclosure Protection Act*, which applies to all persons employed in the public sector, including employees of the Canada Council and other Crown corporations. A quarterly report on the disclosure of wrongdoing in the workplace is provided to the Audit and Finance Committee.

In 2011-12, there was one internal disclosure of wrongdoing in the workplace. Following review of the case, it was determined that this was not a systemic issue, nor was it related to financial controls.

Remuneration for Board Members

Board members are paid an annual retainer and honoraria based on a fee fixed by the Governor-in-Council. For 2011-12, the total of fees paid to Board members was \$113,397.

Executive Management Compensation

The Council has adopted salary ranges for its Executive Management Group that reflect those established by the government for all EX level positions in the federal public service. For 2011-12, the salary ranges were \$207,400-244,000 for the position of Director/CEO (fixed by the Governor-in-Council) and \$103,000-152,000 for executive positions.

At March 31, 2012, the Executive Management Group consisted of Robert Sirman, Director/CEO; Michelle Chawla, Corporate Secretary and Director, Strategic Initiatives; Robin Ghosh, Director, Finance and Administration; John Goldsmith, Director, Stakeholder Relations; Denyse Jomphe, Director, Human Resources; Tammy Scott, Director, Communications and Arts Promotion; Anne Valois, Director, Arts Disciplines; and David Walden, Secretary-General, Canadian Commission for UNESCO.

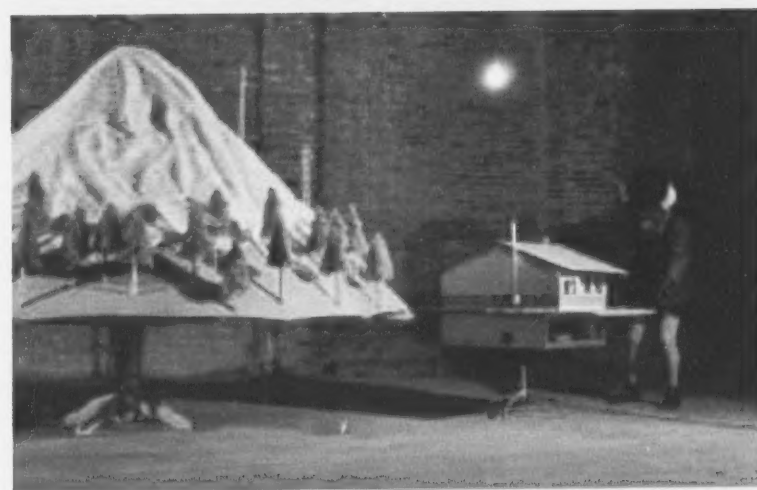
For more information, including bios of Board members, staff lists and documents referenced in this section, visit canadacouncil.ca/aboutus.

Investing in artists... for a vibrant arts scene

With its highly-respected peer assessment process, the Canada Council for the Arts has an in-depth, national understanding of arts development in Canada. This translates into effective programs and prizes that have an important impact at all stages of an artist's career or an arts organization's development. The winners of the 2012 Victor Martyn Lynch-Staunton Awards (\$15,000 each, for exceptional mid-career artists) have received timely and appropriate support from the Council throughout their careers – for creation, research, collaboration, residencies, travel to world premières, writing or professional development. Today, at mid-career, Valérie Blass (sculptor), Nova Bhattacharya (dancer), Brian Current (orchestra conductor), Manon De Pauw (interdisciplinary artist), Denis Lavalou (playwright), Sylvia Legris (poet) and Graeme Patterson (filmmaker and multimedia artist) are outstanding, internationally-renowned artists, and they make Canada a key player on the world's cultural stages.

Valérie Blass,
*She Was a Big
Success*, 2009,
Montreal Museum
of Fine Arts.
Photo: Christine
Guest





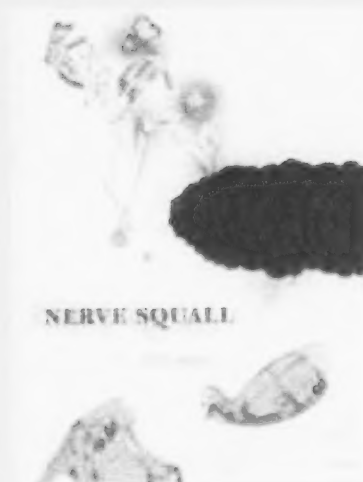
Left: Denis Lavalou, *C'est ainsi mon amour que j'appris ma blessure* by Fabrice Melquiot, Théâtre La Chapelle, 2010, produced by Théâtre Complice. Co-directed by Marie-Josée Gauthier. Photo: Robert Etcheverry

Right: Manon De Pauw, *L'atelier ouvert*, 2009, UQAM Gallery. Photo: Patrick Mailloux



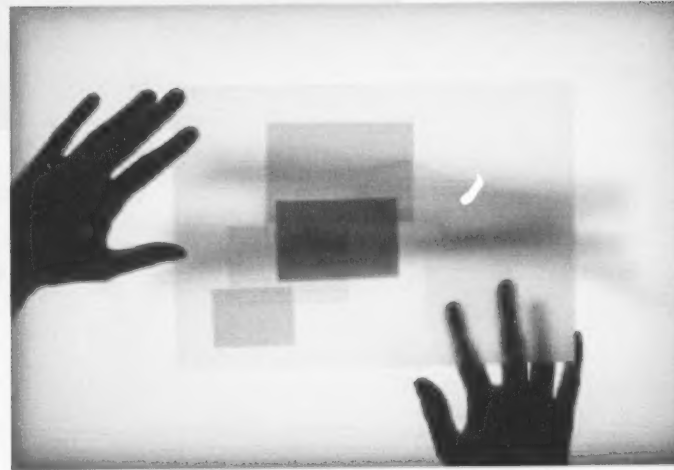
Left: Brian Current, *Airline Icarus*, Verbania, Italy. Photo: Davide Vergnano

Right: Nova Bhattacharya, *Isolated incidents*. Photo: Omer Yukseker



Left: Graeme Patterson, *The Mountain*, 2012. Photo: Graeme Patterson

Right: Sylvia Legris, *Nerve Squall*, Coach House Books. Cover art: Tamara Bond



Financial Statements

Connections Engagement Public Arts Change Technology Communities Transparency Adaptability Flexibility Leadership Trust Responsiveness Synergy Artists Partnership Equity Knowledge Experience

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Canada Council for the Arts and all the information in this annual report are the responsibility of Management and have been approved by the Board.

The financial statements have been prepared by Management in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, Management has chosen those it deems most appropriate in the circumstances. The financial statements include amounts based on Management's best estimates as determined through experience and judgment. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.

The Canada Council maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the organization's assets are appropriately accounted for and safeguarded.

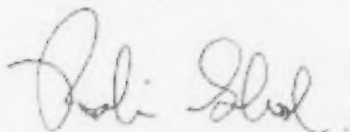
The Board is responsible for the management of the business and activities of the Canada Council. In particular, they are responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls. They exercise this responsibility through the Audit and Finance Committee, which is composed of members who are not employees of the Canada Council. The Audit and Finance Committee meets with Management, the internal auditors and the Auditor General of Canada on a regular basis. The Committee reports its findings to the Board for consideration when approving the financial statements.

The independent auditor, the Auditor General of Canada, is responsible for auditing the financial statements of the Canada Council, and for issuing the report thereon.

June 21, 2012



Director and Chief Executive Officer
Robert Sirman



Chief Financial Officer
Robin Ghosh, CA, CPA (Illinois)



Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Canada Council for the Arts and the Minister of Canadian Heritage and Official Languages

Report on the Financial Statements

I have audited the accompanying financial statements of the Canada Council for the Arts, which comprise the statements of financial position as at 31 March 2012, 31 March 2011 and 1 April 2010, the statements of operations, statements of change in net financial assets and statements of cash flows for the years ended 31 March 2012 and 31 March 2011, and the statement of remeasurement gains and losses for the year ended 31 March 2012 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

.../2

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Canada Council for the Arts as at 31 March 2012, 31 March 2011 and 1 April 2010, and the results of its operations, changes in its net financial assets, and its cash flows for the years ended 31 March 2012 and 31 March 2011, and its remeasurement gains and losses for the year ended 31 March 2012, in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied, after giving retroactive effect to the adoption of the new standards as explained in Note 2 to the financial statements except for the change in the method of accounting for financial instruments and foreign currency translation as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Canada Council for the Arts that have come to my notice during my audits of the financial statements have, in all significant respects, been in accordance with the applicable provisions of Part X of the *Financial Administration Act* and regulations, the *Canada Council for the Arts Act* and the by-laws of the Canada Council for the Arts.



Sylvain Ricard, CA
Assistant Auditor General
for the Auditor General of Canada

21 June 2012
Ottawa, Canada

STATEMENT OF FINANCIAL POSITION

as at March 31 (in thousands of dollars)

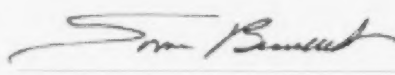
	2012	2011	April 1, 2010
FINANCIAL ASSETS			
Cash equivalents (Note 6)	\$ 18	\$ 340	\$ 4,501
Accounts receivable	2,144	2,395	1,669
Derivatives (Note 7)	171	300	3,761
Portfolio investments (Note 8)	270,522	279,232	265,554
TOTAL FINANCIAL ASSETS	272,855	282,267	275,485
LIABILITIES			
Bank indebtedness	1,581	2,574	3,475
Grants payable	27,760	25,927	26,452
Accounts payable and accrued liabilities	3,710	4,900	2,971
Deferred parliamentary appropriations	-	-	37
Deferred revenues	1,827	2,108	2,452
Derivatives (Note 7)	62	187	13
Employee future benefits (Note 10)	4,237	3,610	3,451
Deferred revenues - Externally restricted contributions (Note 11)	23,594	26,349	24,699
TOTAL LIABILITIES	62,771	65,655	63,550
NET FINANCIAL ASSETS	210,084	216,612	211,935
NON-FINANCIAL ASSETS			
Tangible capital assets (Note 12)	2,156	2,767	2,651
Works of art and musical instruments (Note 13)	1	1	1
Prepaid expenses	273	272	217
TOTAL NON-FINANCIAL ASSETS	2,430	3,040	2,869
ACCUMULATED SURPLUS (Note 14)	\$ 212,514	\$ 219,652	\$ 214,804
Accumulated surplus is comprised of:			
Accumulated surplus from operations	212,659	219,119	265,771
Accumulated other comprehensive income	-	533	(50,967)
Accumulated remeasurement gains and losses	(145)	-	-
ACCUMULATED SURPLUS	\$ 212,514	\$ 219,652	\$ 214,804

CONTRACTUAL OBLIGATIONS AND COMMITMENTS (Note 19)

APPROVED BY THE BOARD OF DIRECTORS



Chair



Vice-Chair

(The accompanying notes form an integral part of the financial statements)

STATEMENT OF OPERATIONS

year ended March 31 (in thousands of dollars)

	Budget 2012	Actuals 2012	Actuals 2011
Revenue			
Net investment income (loss) (Note 15)	\$ 11,117	\$ 5,340	\$ (36,942)
Net Art Bank income (loss) (Note 16)	(32)	(372)	90
Other revenue	1,083	2,013	1,821
Total revenue	12,168	6,981	(35,031)
Expenses			
Programs			
Grants (Schedule 1)	155,264	157,304	154,532
Administration (Schedule 2)	13,354	12,967	13,244
Services	6,805	5,894	6,657
	175,423	176,165	174,433
Canadian Commission for UNESCO (Note 17)	2,314	2,003	2,168
General administration (Schedule 2)	16,050	16,231	16,297
Total expenses	193,787	194,399	192,898
Annual Deficit from operations before parliamentary appropriations	(181,619)	(187,418)	(227,929)
Parliamentary appropriations	181,761	180,958	181,277
ANNUAL SURPLUS (DEFICIT) FROM OPERATIONS	142	(6,460)	(46,652)
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF YEAR	219,119	219,119	265,771
ACCUMULATED SURPLUS FROM OPERATIONS, END OF YEAR	\$ 219,261	\$ 212,659	\$ 219,119

ANNUAL REPORT 2011-12

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

year ended March 31 (in thousands of dollars)

	Budget 2012	Actuals 2012	Actuals 2011
ANNUAL SURPLUS (DEFICIT) FROM OPERATIONS	\$ 142	\$ (6,460)	\$ (46,652)
Acquisition of tangible capital assets (Note 12)	(1,644)	(477)	(1,176)
Amortization of tangible capital assets (Note 12)	1,301	1,088	1,060
	(343)	611	(116)
Acquisition of prepaid expenses	-	(273)	(272)
Use of prepaid expenses	-	272	217
	-	(1)	(55)
Other comprehensive income (Note 3)	-	-	51,500
Net remeasurement losses	-	(678)	-
	-	(678)	51,500
INCREASE / (DECREASE) IN NET FINANCIAL ASSETS	(201)	(6,528)	4,677
NET FINANCIAL ASSETS, BEGINNING OF YEAR	216,612	216,612	211,935
NET FINANCIAL ASSETS, END OF YEAR	\$ 216,411	\$ 210,084	\$ 216,612

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

year ended March 31 (in thousands of dollars)

	Actuals 2012
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	\$ 533
Unrealized gains (losses) attributable to:	
Derivatives	104
Portfolio investments	(6,597)
Amounts reclassified to the Statement of Operations:	
Derivatives	-
Portfolio investments	5,815
NET MEASUREMENT LOSSES FOR THE YEAR	(678)
ACCUMULATED REMEASUREMENT LOSSES, END OF YEAR	\$ (145)

STATEMENT OF CASH FLOWS

year ended March 31 (in thousands of dollars)

	Actuals 2012	Actuals 2011
OPERATING TRANSACTIONS		
Annual deficit from operations	\$ (6,460)	\$ (46,652)
Losses from disposal of portfolio investments (Note 15)	8,243	4,207
Impairment on portfolio investments (Note 15)	-	58,925
Amortization of tangible capital assets (Note 12)	1,088	1,060
Increase in prepaid expenses	(1)	(55)
Increase in employee future benefits	627	159
Income transferred from Deferred revenues - Externally restricted contributions (Note 11)	(2,002)	(18,785)
Transfer to other revenues	(520)	-
Net change in other non-cash items (Note 18)	758	3,932
Cash provided by operating activities	1,733	2,791
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets (Note 12)	(477)	(1,176)
INVESTING TRANSACTIONS		
Acquisition of portfolio investments	(118,750)	(52,693)
Disposal of portfolio investments	118,165	47,818
Cash used by investing activities	(585)	(4,875)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	671	(3,260)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(2,234)	1,026
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ (1,563)	\$ (2,234)
Represented by:		
Cash equivalents (Note 6)	\$ 18	\$ 340
Bank indebtedness	(1,581)	(2,574)
	\$ (1,563)	\$ (2,234)

A JOURNAL REPORT 2012-12

Notes to the Financial Statements

March 31, 2012

1. AUTHORITY AND ACTIVITIES

The Canada Council for the Arts (the "Council"), established by the *Canada Council Act* in 1957 and subsequently amended in 2001 by Bill C-40 to the *Canada Council for the Arts Act*, is not an agent of Her Majesty and is deemed to be a registered charity for the purposes of the *Income Tax Act*. In accordance with section 85(11) of the *Financial Administration Act*, the Council is exempt from Divisions I to IV of Part X of this Act, except for subsection 105(2) and sections 113.1 and 119 of Division II, sections 131 to 143 of Division III and section 154.01 of Division IV. The Council is a Crown corporation whose objectives are to foster and promote the study and enjoyment of and the production works in the arts.

The Council achieves its objectives primarily through grant programs to professional Canadian artists and arts organizations. The Council incurs administration and services expenses in the delivery of programs. Program administration expenses represent the direct costs of program delivery. Program services expenses represent costs incurred for non-grant activities in fulfillment of the Council's mandate and costs associated with the adjudication of grants. General administration costs represent the costs related to corporate management, communications, human resources, information management, finance, accommodation and amortization.

The *Canada Council for the Arts Act* assigns the Council with the functions and duties for the Canadian Commission for UNESCO (the "Commission"). The Commission advises the Government of Canada on its relations with the United Nations Educational, Scientific and Cultural Organization (UNESCO). The Commission also fosters co-operation between Canadian organizations in civil society and UNESCO.

2. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS

For financial statements issued prior to 2011-12, the Council classified itself as a Government Business-Type Organization ("GBTO") and followed the recommendations of the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook - Part V ("CGAAP"). In October 2009, the Public Sector Accounting Board ("PSAB") determined that the category would cease to exist for fiscal years beginning on or after January 1, 2011, and GBTOs were required to reclassify themselves in accordance with PSA Standards. In accordance with recommendations of the Public Sector Accounting Handbook, the Council has determined that it is an "other government organization" ("OGO") and has determined that Public Sector Accounting Standards ("PSAS") is the most appropriate framework for reporting purposes. The Council has adopted PSAS for its fiscal year beginning April 1, 2011.

The adoption of PSAS is accounted for by retroactive application with restatement of prior years, except for the accounting standards contained in PS 2601 and PS 3450 as these standards specifically prohibit retroactive application. The following is a summary of the main qualitative differences for the Council between its previous and current financial statements:

- The March 31, 2011 and the April 1, 2010 Balance Sheets have been replaced by a Statement of Financial Position, segregating financial and non-financial assets as well as the net financial assets (financial assets less liabilities) of the Council; and accumulated surplus/deficit at the Statement of Financial Position date.
- The Statement of Operations and Statement of Comprehensive Income for the year ended March 31, 2011 have been replaced by the Statement of Operations and the Statement of Remeasurement Gains and Losses. The Statement of Operations reports earned revenues, realized gains and losses and incurred expenses. A comparison of the current year results with the original comparative budget is disclosed for this statement. The Statement of Remeasurement Gains and Losses reports unrealized gains and losses and reclassification upon realization for changes in fair value of the non-restricted portfolio investment as required per PS 3450 *Financial Instruments*.
- The Statement of Changes in Equity has been replaced by the Statement of Change in Net Financial Assets, which represents the expenditures of a public sector reporting entity less revenue, as well as acquisitions of tangible capital assets and other items explaining the difference between the surplus/deficit of the year and the change in net financial assets for the year. A comparison of the current year results with the approved budget is also required and disclosed.

The Council has elected to use the following exemptions under PS 2125, *First Time Adoption by Government Organizations*:

RETIREMENT AND POST-EMPLOYMENT BENEFITS

Under *Retirement Benefits*, Section PS 3250, for defined benefit plans, and under *Post-employment Benefits, Compensated Absences and Termination Benefits*, Section PS 3255, accrued benefit obligations, post-employment benefits and compensated absences are determined by a government organization by applying a discount rate with reference to its plan asset earnings or with reference to its cost of borrowing. Retroactive application of these Sections requires a government organization to recalculate accrued benefit obligations, post-employment benefits and compensated absences at the time of transition to Public Sector Accounting Standards. However, a first-time adopter may elect to delay application of these Sections relative to the discount rate used until the date of their next actuarial valuation or within three years of the transition date to Public Sector Accounting Standards, whichever is sooner. If a first-time adopter uses this election, it shall apply it to all plans.

TANGIBLE CAPITAL ASSET IMPAIRMENT

Tangible Capital Assets, Section PS 3150, indicates the conditions when a write-down of a tangible capital asset should be accounted for. A first-time adopter need not comply with those requirements for write-downs of tangible capital assets that were incurred prior to the date of transition to Public Sector Accounting Standards. If a first-time adopter uses this exemption, the conditions for a write-down of a tangible capital asset in Section PS 3150 are applied on a prospective basis from the date of transition.

The following tables present the reconciliation of account balances and transactions from the previous reporting framework to the current method of presentation (certain amounts have been reclassified to conform to the presentation adopted in 2011-2012):

a) Reconciliation of the April 1, 2010 Statement of Financial Position

(in thousands of dollars)	CICA Accounting Handbook - Part V	Adjustments	PSA Standards
Statement of Financial Position			
Financial Assets			
Cash equivalents	\$ 4,501	\$ -	\$ 4,501
Accounts receivable	1,669	-	1,669
Derivatives	3,761	-	3,761
Portfolio investments	265,554	-	265,554
Total financial assets	275,485	-	275,485
Liabilities			
Bank indebtedness	3,475	-	3,475
Grants payable	26,452	-	26,452
Accounts payable and accrued liabilities	2,971	-	2,971
Deferred parliamentary appropriations	37	-	37
Deferred revenues	2,452	-	2,452
Derivatives	13	-	13
Deferred revenues - Externally restricted contributions	-	24,699	24,699
Employee future benefits	2,192	1,259	3,451
Total liabilities	37,592	25,958	63,550
Net financial assets	237,893	(25,958)	211,935
Non-financial assets			
Tangible capital assets	2,651	-	2,651
Works of art and musical instruments	20,710	(20,709)	1
Prepaid expenses	217	-	217
Total non-financial assets	23,578	(20,709)	2,869
Accumulated surplus	\$ 261,471	\$ (46,667)	\$ 214,804
Accumulated surplus is comprised of:			
Accumulated surplus from operations	\$ 250,170	\$ 15,601	\$ 265,771
Accumulated other comprehensive income	11,301	(62,268)	(50,967)
	\$ 261,471	\$ (46,667)	\$ 214,804

1 The Council has reclassified the Original Principal from Externally restricted contributions from accumulated other comprehensive surplus/deficit to accumulated surplus from operations and the portion related to deferred income to liabilities in accordance with PSAS 3100 "Restricted Assets and Revenues".

2 Recognition of additional employee future benefits as per Note 5.

3 The Council has reversed previously recorded purchase and "in-kind" contributions of works of art and musical instruments since PSAS 3150 "Tangible Capital Assets" does not allow the recognition thereof.

b) Reconciliation of the March 31, 2011 Statement of Financial Position

(in thousands of dollars)		CICA Accounting Handbook - Part V	Adjustments	PSA Standards
Statement of Financial Position				
Financial Assets				
Cash equivalents	\$	340	\$ -	\$ 340
Accounts receivable		2,395	-	2,395
Derivatives		500	-	500
Portfolio investments		279,252	-	279,252
Total financial assets		282,267	-	282,267
Liabilities				
Bank indebtedness		2,574	-	2,574
Grants payable		25,927	-	25,927
Accounts payable and accrued liabilities		4,900	-	4,900
Deferred parliamentary appropriations		-	-	-
Deferred revenues		2,108	-	2,108
Derivatives		187	-	187
Deferred revenues - Externally restricted contributions		-	26,549	26,549
Employee future benefits		2,291	1,519	3,610
Total liabilities		37,987	27,668	65,655
Net financial assets		244,280	(27,668)	216,612
Non-financial assets				
Tangible capital assets		2,767	-	2,767
Works of art and musical instruments		20,729	(20,728)	1
Prepaid expenses		272	-	272
Total non-financial assets		23,768	(20,728)	3,040
Accumulated surplus	\$	268,048	\$ (48,396)	\$ 219,652
Accumulated surplus is comprised of:				
Accumulated surplus from operations		203,597	15,522	219,119
Accumulated other comprehensive income		64,451	(63,918)	533
	\$	268,048	\$ (48,396)	\$ 219,652

4 The Council has reclassified the Original Principal from Externally restricted contributions from accumulated other comprehensive surplus/deficit to accumulated surplus from operations and the portion related to deferred income to liabilities in accordance with PSAS 3100 "Restricted Assets and Revenues"

5 Recognition of additional employee future benefits as per Note 5.

6 The Council has reversed previously recorded purchase and "in-kind" contributions of works of art and musical instruments since PSAS 3150 "Tangible Capital Assets" does not allow the recognition thereof.

7 Purchases of works of art and musical instruments are now expensed in the Statement of Operations.

c) Reconciliation of the March 31, 2011 Statement of Operations

(in thousands of dollars)	CICA Accounting Handbook - Part V	Adjustments	PSA Standards
Statement of Operations			
Revenue			
Net investment loss	\$ (36,942)	\$ -	\$ (36,942)
Net Art Bank income	158	(68)	90
Other revenue	1,821	-	1,821
Total revenue	(34,963)	(68)	(35,031)
Expenses			
Programs	174,433		174,433
Canadian Commission for UNESCO	2,168		2,168
General administration	16,237	60	16,297
Total expenses	192,838	60	192,898
Annual deficit from operations before parliamentary appropriations	(227,801)	(128)	(227,929)
Parliamentary appropriations	181,277		181,277
Annual deficit from operations	\$ (46,524)	\$ (128)	\$ (46,652)

d) Statement of Other Comprehensive Income (OCI) as of March 31, 2011

This Statement no longer exists under PSAS. The portion related to Available-for-sale financial assets has been transferred under Accumulated Surplus in the Statement of Financial Position (see Note 14). The portion related to restricted

contributions from non-owners has been transferred to Deferred revenues - Externally restricted contributions in the Liability section of the Statement of Financial Position (see Note 11).

(in thousands of dollars)	2011
Net results for the year	\$ (46,524)
Other comprehensive income	
Available-for-sale financial assets	
Unrealized gains on unrestricted available-for-sale financial assets during the year	5,751
Reclassification to the statement of operations of realized losses in the year	45,749
Net change in unrealized income in available-for-sale financial assets	51,500
Restricted contributions from non-owners	
Unrealized gains on contributions from non-owners during the year	2,116
Reclassification to the statement of operations of realized losses in the year	18,319
Net investment (loss) income attributed to non-owners	(15,961)
Use of funds attributed to non-owners	(2,824)
Net change in unrealized income in contributions from non-owners	1,650
Comprehensive income for the year	\$ 6,626

8. Purchases of works of art that can no longer be capitalized since PSAS 3150 "Tangible Capital Assets" does not allow the recognition thereof.

9. Recognition of additional employee future benefits as per Note 5.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

PORTFOLIO INVESTMENTS

As of April 1, 2011, the Council early adopted PSA Handbook Section 3041, *Portfolio Investments*. This Section establishes standards on how to account for and report portfolio investment. This standard is applicable to the fiscal year in which PSA Handbook Sections 2601, *Foreign Currency Translation*, 3450, *Financial Instruments* and 1201, *Financial Statement Presentation* are adopted. The standard refers to 3450, *Financial Instruments* for recognition and measurement of investments held by the Council. Other than previously stated in this Note, there were no significant impacts of adopting this standard for the year ended March 31, 2012.

FINANCIAL INSTRUMENTS

As at April 1, 2011, the Council early adopted PSA Handbook Section 3450, *Financial Instruments*. This new standard provides guidance for recognition, measurement and disclosure of financial instruments. The transitional provisions in the standard state that when a government organization applies this standard in the same year it adopts PSAS for the first time, this standard cannot be applied retroactively. Comparative amounts are presented in accordance with the accounting policies applied by the government organization immediately preceding its adoption of Public Sector Accounting Standards.

Consequently, unrealized gains and losses reported in the Statement of Financial Position for April 1, 2010 and March 31, 2011 remain in accumulated other comprehensive income. The Council has presented this balance in the Accumulated Surplus section. The impacts of the adoption of these new standards are as follows:

The Council now discloses a Statement of Re-measurement Gains and Losses which reports a total of \$678,000. This amount represents unrealized gains and losses and reclassification upon realization for changes in fair value of the non-restricted portfolio investment for the year ended March 31, 2012.

The Statement of Financial Position discloses accumulated remeasurement losses of \$145,000 as at March 31, 2012. This amount includes an opening balance of \$533,000 which corresponds to the March 31, 2011 ending balance of the accumulated other comprehensive income.

As the Council previously recorded its derivatives and portfolio investments at fair value, there were no other quantitative impacts on the Statement of Financial Position.

The Council has previously disclosed in its prior financial statements the various risks related to financial instruments. Note 4 and Note 8 to the March 31, 2011 CGAAP financial statements provide the information required by this new Standard.

FOREIGN CURRENCY

As of April 1, 2011, the Council early adopted PSA Handbook Section 2601, *Foreign Currency Translation*. This revised standard establishes standards on how to account for and report transactions that are denominated in a foreign currency. The transitional provisions in the standard state that when a government organization applies this standard in the same year it adopts PSAS for the first time, this standard cannot be applied retroactively. Comparative amounts are presented in accordance with the accounting policies applied by the government organization immediately preceding its adoption of Public Sector Accounting Standards. Other than disclosed above under Financial Instruments, there was no impact adopting this standard.

FINANCIAL STATEMENT PRESENTATION

As of April 1, 2011, the Council early adopted PSA Handbook Section 1201, *Financial Statement Presentation*. This Section establishes general reporting principles and standards for the disclosure of information in financial statements. This standard is applicable to fiscal years that PSA Handbook Sections 2601, *Foreign Currency Translation* and 3450, *Financial Instruments* are adopted. Other than previously stated in this Note, there were no significant impacts adopting this standard for the year ended March 31, 2012.

GOVERNMENT TRANSFERS

As of April 1, 2011, the Council early adopted revised PSA Handbook Section 3410, *Government Transfers*. This revised standard establishes standards on how to account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective. The Council has elected to apply the requirements of the revised standard on a prospective basis. As such, the adoption of this revised standard did not have an impact on the Council's comparative figures but required additional disclosures in the notes.

4. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Council considers itself to be an OGO. These financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) as promulgated by the Canadian Institute of Chartered Accountants ("CICA"). Previously, the Council's financial statements were prepared in accordance with Part V of the CICA Handbook (Pre-changeover Accounting Standards).

The Council's significant accounting policies are as follows:

FINANCIAL INSTRUMENTS

All financial instruments are initially measured at fair value. The following table identifies the Council's financial assets and liabilities and identifies how they are subsequently measured:

Financial asset or liability	Subsequent measurement
Cash equivalents	Fair value
Accounts receivable	Amortized cost
Portfolio investments	Fair value
Derivatives	Fair value
Bank indebtedness	Fair value
Grants payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

CASH EQUIVALENTS

Cash equivalents represent short-term, highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value. Cash equivalents on the Council's Statement of Financial Position comprise units in a short-term pooled fund. Distributed income is recorded on an accrual basis and is recognized in the Statement of Operations under net investment income in the year in which it is earned.

DERIVATIVES

Derivatives are recognized at fair value on the Statement of Financial Position. Derivatives with a positive (negative) fair value are reported as assets (liabilities). As of April 1, 2011, all unrealized changes in the fair value of derivatives are recognized on the Statement of Remeasurement Gains and Losses under derivatives in the year in which they occur, except for the restricted portion which is recognized as a liability under Deferred revenues - Externally restricted contributions. Once realized, these gains and losses are recognized in the Statement of Operations.

PORTFOLIO INVESTMENTS

Portfolio investments are reported at fair value. Unrealized changes in the fair value of portfolio investments are recognized in the Statement of Remeasurement Gains and Losses, except for the restricted portion which is recognized as a liability under Deferred revenues - Externally restricted contributions. Once realized, the cumulative gain or loss previously recognized in the Statement of Remeasurement Gains and Losses are recorded in net investment income on an average cost basis for the year. The realized gains and losses on externally restricted contributions are recognized in accordance with the externally restricted contributions accounting policy. Purchases and dispositions of portfolio investments are recorded on the trade date. Management fees paid are expensed in the year.

TANGIBLE CAPITAL ASSETS

Office equipment and leasehold improvements are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method, over the estimated useful lives of the assets as follows:

Office equipment	5 years
Leasehold improvements	remaining term of the lease

WORKS OF ART AND MUSICAL INSTRUMENTS

Works of arts and musical instruments, which have cultural and historical value are recorded at nominal value in the Statement of Financial Position as a reasonable estimate of the future benefits associated with such assets cannot be made. Refer to Note 13 for disclosure of the nature of the works of art and musical instruments held by the Council.

EMPLOYEE FUTURE BENEFITS

i) Severance benefits

In previous years, employees were entitled to severance benefits, as provided for under conditions of employment and the collective agreement. The costs of these benefits were accrued as the employees rendered the services necessary to earn them. The liability was calculated based on management's best estimates and assumptions, on the employee's salary and number of years of service as at March 31. The benefit used to be calculated as follows:

For employees who had attained the age of 50, with one year or more of continuous service, one week's salary was calculated for each completed year of continuous service up to a maximum of 28 weeks. For employees who had not attained the age of 50, with one or more years of service, one-half of one week's salary was calculated for each completed year of continuous service up to a maximum of 26 weeks. Term employees who had 12 consecutive months of continuous service were entitled to either two days pay for each completed year of continuous service or five days pay, whichever is greater.

In February 2012, a new collective agreement was signed and the decision to terminate this benefit was made. The agreed calculation to determine the obligation was as follows:

All employees with 10 years or more of service as at June 30, 2012 shall be entitled to a severance payment equal to one week's pay for each complete year of continuous employment and, in the case

of partial year of continuous employment, one week's pay multiplied by the number of days of continuous employment divided by 365, to a maximum of 28 weeks. All employees with less than ten years of services and more than one year of service as of June 30, 2012 shall be entitled to a severance payment equal to two week's pay. All part-time employees with less than 10 years of service as at June 30, 2012 shall be entitled to a severance equal to one week's pay.

Since the severance benefits were terminated, the Council did not complete an actuarial valuation for this benefit as the obligation has already been determined.

ii) Retiree's benefits

The Council provides extended health care and dental benefits to its current and retired employees. Retirees pay 50% of the extended health care premium and 100% of the dental premium. The Council accrues its obligations as the employees render the services necessary to earn these benefits. The cost of these benefits earned by employees has been estimated using the accrued benefit method (Unit Credit). The first estimated valuation of these benefits was as at March 31, 2012, and the first full valuation will be as at March 31, 2013.

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. Actuarial gains (losses) are amortized over the average remaining service period of active employees.

Adjustments arising from plan amendments, experience gains and losses, and changes in assumptions are amortized over the expected average remaining service period of the employee groups. The average remaining service period of the active employees covered by the benefit plans is 10 years.

iii) Pension benefits

Substantially all of the employees of the Council are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Council to cover current service cost. Pursuant to legislation currently in place, the Council has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Council.

DEFERRED REVENUES - EXTERNALLY RESTRICTED CONTRIBUTIONS

Externally restricted income is recognized as revenue in the financial statements in the year in which the resources are used for the purpose or purposes specified. An externally restricted inflow, excluding original principal, received before this criterion has been met is reported as a liability until the resources are used for the purpose or purposes specified.

ENDOWMENT PRINCIPAL - EXTERNALLY RESTRICTED CONTRIBUTIONS

Externally restricted contributions consist of private endowments and restricted donations received by the Council that are required to be maintained intact. They are reported under Accumulated Surplus from Operations.

RESERVE FOR EXCESS INVESTMENT INCOME

This reserve represents the sum of excess investment income since the establishment of the Council in 1957 and is presented as a separate internal reserve within the accumulated surplus from operations (see Note 14). In years when net investment income exceeds the amount of net budgeted investment income, an amount may be transferred from the accumulated surplus (deficit) from operations to the reserve for excess investment income. In years when net investment income is less than the amount

of net budgeted investment income, an amount may be transferred to the accumulated surplus (deficit) from operations from the reserve for excess investment income. These transfers are approved by the Board.

REVENUE RECOGNITION

i) Parliamentary appropriations

Parliamentary appropriations are considered government transfers and are recognized as revenue in the year for which they are approved by Parliament. Parliamentary appropriations for specific projects are deferred and recognized on the Statement of Operations in the year in which the related expenses are incurred. Parliamentary appropriations are mainly used for operations.

ii) Contributions

The Council receives contributions that are externally restricted for specific purposes by the donors.

Externally restricted contributions that are to be held to perpetuity are recognized as revenue in the year in which they are received. The externally restricted contributions that are not held to perpetuity and realized and unrealized gains and losses for the associated externally restricted investment income, are recognized as a liability until the resources are used for their specified purpose, at which time the contributions are recognized as revenue.

Unrestricted contributions are recognized as other revenue in the year received or in the year the funds are committed to the Council if the amount can be reasonably estimated and collection is reasonably assured.

In-kind contributions are recorded at their fair value when they are received.

iii) Art Bank rental income

Revenues generated from the rental of works of art are recognized in the year in which services are provided. They are included in net Art Bank income.

iv) Other revenues

Other revenues consist mainly of the cancellation in the current year of grants approved in previous years.

v) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate in effect at the date of the Statement of Financial Position. Revenue and expense items are translated at exchange rates prevailing throughout the year. As of April 1, 2011, unrealized foreign exchange gains and losses are recognized in the Statement of Remeasurement Gains and Losses, except for the restricted portion which is recognized as a liability under Deferred revenues - Externally restricted contributions. Once realized, the cumulative gain or loss are recognized in net investment income.

GRANTS

Grants are considered to be a government transfer. They are recorded as an expense in the year for which they are budgeted and approved by the Board and authority to pay has been obtained through the Appropriation Act.

OPERATING LEASES

The Council enters into operating leases for its office accommodation which are recorded on a straight-line basis over the term of the lease. Lease inducements are recorded as a reduction to the office accommodation expense on a straight-line basis over the term of the lease.

MEASUREMENT UNCERTAINTY

The preparation of financial statements in accordance with Canadian PSAS requires management to make estimates and assumptions that affect

the reported amounts of assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting year. Employee-related liabilities, the estimated useful lives of capital assets and the fair value of financial instruments are the most significant items where estimates are used. Actual results could differ from those estimated.

BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board.

5. CORRECTION OF RETIREES' BENEFITS

The Council provides extended health care benefits to retirees. The cost of providing this benefit has been expensed annually up to 2010. The Council has determined that this benefit should have been accounted for in previous years in accordance with CICA Handbook Section 3461 - *Employee Future Benefits* and PS 3255 - *Post-Employment Benefits*. These standards require the recognition of the liability on the Statement of Financial Position and the recognition of an annual expense based on the costs incurred and change in the liability during the year.

Consequently, the 2011 opening accumulated surplus has been charged with \$1,259,000, being the estimated actuarially determined liability as of that date. The employee future benefits on the April 1, 2010 financial position were accordingly increased by \$1,259,000. The 2011 salaries and benefits previously reported have been restated to recognize an additional expense of \$60,000 related to this benefit. At March 31, 2011, the employee future benefits were increased by \$60,000.

6. CASH EQUIVALENTS

The Council invests its cash in excess of daily requirements in a short-term pooled fund managed by State Street Global Advisors. All instruments held in the pooled funds are rated R1 (low) or A (low) or better as rated by a recognized bond rating agency. These funds are comprised of securities issued by different levels of government, chartered banks and corporate issuers. Except for instruments guaranteed by governments, no more than 10% of the short-term portfolio is invested with any one issuer. The Council's investment in the pooled fund was \$18,000 at March 31, 2012 (2011 - \$340,000; April 1, 2010 - \$4,501,000).

7. DERIVATIVES

The use of derivatives is limited to foreign currency forward contracts. The Council currently uses foreign currency forward contracts that represent commitments to purchase or sell foreign currencies for delivery at a specific date in the future at a fixed rate to manage its foreign currency exchange risk. These contracts are typically for a one-month period.

The Council enters into foreign currency forward contracts to manage its exposure to foreign currency exchange risk on the non-Canadian dollar denominated portion of its investment portfolio, except for the emerging market component which was unhedged and represented approximately 0.9% (2011 - 3.3%; April 1, 2010 - 2.7%) of the investment portfolio. The hedge strategy allows hedging of the designated assets within a range of 30% to 70% of the foreign exposure.

Foreign currency forward contracts have notional amounts that serve as points of reference for calculating payments and are not the actual amounts that are exchanged. These amounts are not recorded on the Statement of Financial Position, as they do not represent their fair value. As at March 31, 2012, the Council held foreign currency forward contracts, for settlement on May 2, 2012, with a total notional amount of \$40,721,000 (2011 - \$53,719,000; April 1, 2010 - \$63,909,000) as follows:

(in thousands of dollars)

Currency	2012			2011			2010		
	Forward rate	Notional amount \$	Fair value \$	Forward rate	Notional amount \$	Fair value \$	Forward rate	Notional amount \$	Fair value \$
US dollar	1.000	18,841	15	1.027	27,894	(25)	0.986	33,694	(8)
Euro	0.751	6,334	(14)	0.724	11,401	(110)	0.728	15,870	-
Switzerland Francs	0.904	4,694	(17)	0.940	1,754	(18)	1.037	1,433	-
British Pound	0.626	4,516	(24)	0.641	4,164	(4)	0.650	7,145	(3)
Japanese Yen	82.271	3,006	9	85.124	3,657	(12)	92.075	3,392	(1)
Other assets	4.510	1,489	1	83.467	1,464	5	1.226	883	-
Other liabilities	4.440	1,841	(7)	4.644	3,385	(17)	6.868	1,492	(1)

The notional amount represents the Council's exposure to those currencies as per its dynamic hedging strategy.

The fair value of outstanding foreign exchange forward contracts reflect the potential gain/loss if trading were to take place on March 31, 2012.

The realized gain of \$146,000 on foreign currency forward contracts that matured on March 31, 2012, but were only settled after the date of the statement of financial position are recorded with the Derivatives asset.

The breakdown is as follows:

(in thousands of dollars)

	2012	2011	April 1, 2010
Assets			
Derivatives	25	5	-
Realized gain on forwards contracts	146	295	3,761
	171	300	3,761
Liabilities			
Derivatives	(62)	(187)	(13)

The net investment income includes a net foreign currency loss for the year of \$621,000 (2011 gain - \$/5,000).

8. PORTFOLIO INVESTMENTS

(in thousands of dollars)

	2012					2011					2010		
	Cost \$	Unrealized losses \$	Unrealized gains \$	Fair Value \$	%	Cost \$	Fair Value \$	%	Cost \$	Fair Value \$	%		
Canada Council Endowment and Special Funds													
Pooled funds													
Equity	100,890	2,152	1,049	99,787	46.3	107,242	109,355	49.3	149,358	96,339	45.5		
Fixed income	73,311	863	-	72,448	33.6	73,309	70,734	31.8	52,181	50,198	23.7		
Alternatives	20,017	-	1,839	21,856	10.1	20,017	21,589	9.7	26,622	26,838	12.7		
Money market	5,589	-	-	5,589	2.6	5,788	5,788	2.6	26,135	26,135	12.4		
Real estate	8,666	313	914	9,267	4.3	7,769	8,049	3.6	6,027	5,764	2.7		
Infrastructure	7,208	451	-	6,757	3.1	7,208	6,694	3.0	6,525	6,325	3.0		
	215,681	3,779	3,802	215,704	100.0	221,333	222,209	100.0	266,848	211,599	100.0		
Killam Funds													
Pooled funds													
Equity	25,785	550	268	25,503	46.6	27,692	28,231	49.4	39,930	24,896	46.1		
Fixed income	18,606	236	-	18,370	33.5	18,605	17,934	31.5	13,183	12,666	23.5		
Alternatives	5,149	-	469	5,618	10.3	5,150	5,550	9.7	6,831	6,884	12.8		
Money market	737	-	-	737	1.3	1,071	1,071	1.9	6,049	6,049	11.2		
Real estate	2,318	81	250	2,487	4.5	2,079	2,154	3.8	1,561	1,492	2.8		
Infrastructure	2,243	140	-	2,103	3.8	2,243	2,083	3.7	2,030	1,968	3.6		
	54,838	1,007	987	54,818	100.0	56,840	57,023	100.0	69,584	53,955	100.0		
Total investments	\$ 270,519	\$ 4,786	\$ 4,789	\$ 270,522		\$ 278,173	\$ 279,232		\$ 336,432	\$ 265,554			

Unrealized gains/losses on investments are primarily due to the timing of the market prices, foreign exchange movements, or the early years in the business cycle for some investments. Annually, the Council assesses each of its investment instruments against specific criteria to determine whether there is objective evidence that the adjusted cost may not be recovered and is therefore impaired. The Council does not consider these investments to be other than temporarily impaired as at March 31, 2012. (In 2011, the Council recorded an impairment of \$58.9 million related to its two Global Equity pooled funds and in 2010 an impairment of \$6.5 million related to its US Real Estate pooled fund)

The Council manages two separate portfolios, the Canada Council Endowment and Special Funds and the Killam Funds. The Killam Trustees requested that their donation be invested separately. Apart from the Killam Fund, all other externally restricted contributions are consolidated into the Canada Council Endowment and Special Funds and represent

815% (2011 - 8.24% ; 2010 - 8.24%) of that Fund with a total fair value of \$17,580,000 (2011 - \$18,310,000; 2010 - \$17,436,000). The total fair value of the externally restricted investment including the Killam Fund is \$72,398,000 (2011 - \$75,333,000; 2010 - \$71,391,000).

The long-term objectives of the Canada Council Endowment and Special Funds and the Killam Funds are to generate long-term real returns to supplement the costs of administering the various programs, while maintaining the purchasing power of the endowed capital.

The Council invests in units of equity, fixed income and alternative pooled funds and in limited partnership units of four real estate funds and an infrastructure fund. The permitted and prohibited investments as well as the asset mix are governed by a Board approved investment policy. All of the investments are managed by professional investment managers.

The Council manages its portfolio to the following benchmarks adopted by the Board in January 2012. The benchmarks allow asset class allocations to vary between a minimum and a maximum.

Asset Classes	Actual Market Value	Minimum	Benchmark	Maximum
Canadian equities	10%	5%	10%	15%
Global equities	36%	25%	35%	45%
Fixed income	34%	25%	35%	40%
Alternatives	10%	5%	10%	15%
Real estate	4%	0%	5%	7%
Infrastructure	3%	0%	5%	7%
Money market	5%	0%	0%	15%

The money market asset class includes short-term pooled funds used for capital committed to future investment in limited partnership units of real estate and infrastructure funds. These funds had a balance of \$6,326,000 (2011 - \$6,859,000; April 1, 2010 - \$32,184,000). For the year ended March 31, 2012, these funds earned a return of 1.51% (2011 - 1.4%; April 1, 2010 - 0.25%) and the underlying investments had an average weighted term to maturity of 31 days (2011 - 32 days; April 1, 2010 - 19 days).

Investments in the equity pooled funds are comprised of units of three pooled funds, one Canadian fund and two funds that are invested in the global equity markets. The Canadian equities are measured against the returns of the Standard and Poor's Toronto Stock exchange Index. The global equities are measured against the returns of the Morgan Stanley Capital International World Hedge Index. Investments in the fixed income pooled fund are comprised of Canadian Government and corporate bonds with a minimum credit quality of BBB or equivalent rated by a recognized bond rating agency. The fixed income fund is intended to replicate the returns of the DEX Universe Bond Index. Investments in the alternative pooled funds are comprised of units of two hedge funds with diversified positions across global asset classes. These investments are measured against the returns of the Scotia Capital 91-day T-bill plus 20%. The assets included in the real estate funds are commercial real estate properties in Canada and the United States. These investments are measured against the returns of the Investment Property Databank for the Canadian managers and the National Council of Real Estate Investment Fiduciaries (NCREIF) for the US manager. The infrastructure fund includes a portfolio of diversified infrastructure investments. These investments are measured against the Consumer Price Index plus 4.5%.

9. FINANCIAL RISKS AND FAIR VALUE

At March 31, the measurement categories of the Council's financial instruments, as well as their carrying amounts and fair values are as follows:

(in thousands of dollars)		2012	2011	2010
Financial assets and liabilities classifications	Measurement categories	Carrying Amount and Fair Value (\$)	Carrying Amount and Fair Value (\$)	Carrying Amount and Fair Value (\$)
Cash equivalents	Fair value	18	340	4,501
Accounts receivable	Amortized cost	2,144	2,395	1,669
Derivatives net	Fair value	109	115	3,748
Portfolio Investments	Fair value	270,522	279,232	265,554
Bank indebtedness	Fair value	1,581	2,574	3,475
Grants payable	Amortized cost	27,760	25,927	26,452
Accounts payable and accrued liabilities	Amortized cost	3,710	4,900	2,971

The detailed fair value for the investments is listed in Note 8.

a) Establishing fair value

The carrying value of accounts receivable, grants payable and accounts payable and certain accrued liabilities approximates their fair values due to their short-term maturity.

The fair value of derivative instruments is calculated using the current market spot and the forward exchange rates at year end (see Note 7).

The fair values of the investments are determined as follows:

Pooled fund investments are valued at the unit values supplied by the pooled fund managers, which represent the Council's proportionate share of the underlying net assets at fair values, determined using closing market prices.

The Alternatives are pooled fund investments which are valued at the unit values supplied by the pooled fund managers. The fund manager manages multiple funds strategies within the fund and determines the unit's fair value using the closing market prices for some strategies when available or using valuation model with non-observable data for other strategies.

Real estate investment values are supplied by the fund managers using independently audited appraisals which are based on a valuation

model with non-observable data. The independently audited appraisals are obtained annually.

Infrastructure investment values are supplied by the fund managers using internally determined appraisals. The appraisals are based on a valuation model with non-observable data.

b) Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value in the Statement of Financial Position, classified using the fair value hierarchy described above:

Financial assets at fair value as at March 31

	2012				2011				2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
(in thousands of dollars)												
Cash equivalents	-	18	-	18	-	340	-	340	-	4,501	-	4,501
Derivatives	171	-	-	171	300	-	-	300	3,761	-	-	3,761
	171	18	-	189	300	340	-	640	3,761	4,501	-	8,262
Portfolio Investments												
<i>Canada Council</i>												
<i>Endowment and</i>												
<i>Special Funds</i>												
<i>Pooled Funds</i>												
Equity	-	99,787	-	99,787	-	109,355	-	109,355	-	96,339	-	96,339
Fixed Income	-	72,448	-	72,448	-	70,734	-	70,734	-	50,198	-	50,198
Alternatives	-	-	21,856	21,856	-	-	21,589	21,589	-	-	26,838	26,838
Money Market	-	5,589	-	5,589	-	5,788	-	5,788	-	26,135	-	26,135
Real Estate	-	-	9,267	9,267	-	-	8,049	8,049	-	-	5,764	5,764
Infrastructure	-	-	6,757	6,757	-	-	6,694	6,694	-	-	6,325	6,325
<i>Killam Funds</i>												
<i>Pooled Funds</i>												
Equity	-	25,503	-	25,503	-	28,231	-	28,231	-	24,896	-	24,896
Fixed Income	-	18,370	-	18,370	-	17,934	-	17,934	-	12,666	-	12,666
Alternatives	-	-	5,618	5,618	-	-	5,550	5,550	-	-	6,884	6,884
Money Market	-	737	-	737	-	1,071	-	1,071	-	6,049	-	6,049
Real Estate	-	-	2,487	2,487	-	-	2,154	2,154	-	-	1,492	1,492
Infrastructure	-	-	2,103	2,103	-	-	2,083	2,083	-	-	1,968	1,968
	-	222,434	48,088	270,522	-	233,113	46,119	279,232	-	216,283	49,271	265,554
Total	171	222,452	48,088	270,711	300	233,453	46,119	279,872	3,761	220,784	49,271	273,816

Financial liabilities at fair value as at March 31

	2012				2011				2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
(in thousands of dollars)												
Bank indebtedness	1,581	-	-	1,581	2,574	-	-	2,574	3,475	-	-	3,475
Derivatives	62	-	-	62	187	-	-	187	13	-	-	13
Total	1,643	-	-	1,643	2,761	-	-	2,761	3,488	-	-	3,488

During the year, there were no significant transfers of amounts between Level 1 and 2.

The following table reconciles the changes in fair value of financial instruments classified as Level 3 during the year:

(in thousands of dollars)

	2012				2011				2010			
	Alternative funds	Real estate funds	Infra-structure funds	Total	Alternative funds	Real estate funds	Infra-structure funds	Total	Alternative funds	Real estate funds	Infra-structure funds	Total
<i>Canada Council Endowment and Special Funds</i>												
Opening balance	21,589	8,049	6,694	36,332	26,838	5,764	6,325	38,927	26,012	8,985	3,329	38,326
Total gains or losses												
• recognized in re-measurement statement	245	295	58	598	-	-	-	-	-	-	-	-
• recognized in other comprehensive income	-	-	-	-	1,244	499	(288)	1,455	758	975	(251)	1,482
• recognized in externally restricted contributions	22	26	5	53	112	45	(26)	131	68	88	(22)	134
Purchases/Issues	-	897	-	897	(6,605)	1,741	683	(4,181)	-	926	3,269	4,195
Impairment	-	-	-	-	-	-	-	-	-	(5,210)	-	(5,210)
Closing balance	21,856	9,267	6,757	37,880	21,589	8,049	6,694	36,332	26,838	5,764	6,325	38,927
<i>Killam Funds</i>												
Opening balance	5,550	2,154	2,082	9,786	6,884	1,492	1,968	10,344	6,676	2,300	1,036	10,012
Total gains or losses												
• recognized in re-measurement statement	-	-	-	-	-	-	-	-	-	-	-	-
• recognized in other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
• recognized in externally restricted contributions	68	95	21	184	347	144	(98)	393	208	278	(85)	401
Purchases /Issues	-	238	-	238	(1,681)	518	212	(951)	-	253	1,017	1,270
Impairment	-	-	-	-	-	-	-	-	-	(1,339)	-	(1,339)
Closing balance	5,618	2,487	2,103	10,208	5,550	2,154	2,082	9,786	6,884	1,492	1,968	10,344

c) Risk management

The Council is exposed to a variety of financial risks as a result of its activities. These risks include credit risk, liquidity risk and market risk (price risk, interest rate risk and currency risk). The long term goal of the Council's investment policy is to produce long term real returns to supplement the costs of administering the various programs, while maintaining the purchasing power of the endowed capital. This policy allows the use of certain derivative financial instruments.

In order to manage risk, the Council invests in a diversified portfolio that is managed by professional investment managers. The Council's investments are guided by a Statement of Investment Policies and Goals which is approved by the Board and reviewed on an annual basis. The Council is assisted in the oversight and management of its portfolio by an Investment Committee that includes independent experts with experience in both the investment field and the asset classes being invested in. In addition, the Council uses the services of an independent investment consultant to assist the Investment Committee in its work. As the investment markets continue to evolve, the Investment Committee recommends adjustments to the asset mix to minimize the overall risk of the portfolio.

i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Council.

At the Statement of Financial Position date, financial assets exposed to credit risk include cash equivalents, portfolio investments, accounts receivable and derivatives. The carrying amounts of these financial assets represent the maximum credit risk exposure at the Statement of Financial Position date.

Through its investments in units of equity, fixed income and alternative pooled funds and in limited partnership units of four real estate funds and an infrastructure fund, the Council is indirectly exposed to the credit risk of the underlying investments of those funds. These risks are managed at the investment manager level. Their objectives are to invest in high quality financial instruments with creditworthy counterparties, by limiting the amount that can be invested in any one counterparty and by using other limits set out in the Council's investment policy.

The majority of the Council's accounts receivables are due from the Government of Canada and, as such, have low credit risk. The Council mitigates credit risk through monitoring of the outstanding balances. As at March 31, 2012, there were no significant amounts past due and no impairment losses have been recognized.

The credit risks on derivatives are managed by contracting only with creditworthy counterparties that must satisfy two out of the three following ratings from external credit rating agencies: A3 for Moody's, A- for Standard & Poor's or A- for Fitch/IBCA.

ii. Liquidity risk

Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they fall due.

The Council receives most of its revenue by way of parliamentary appropriation from the Government of Canada. That revenue is temporarily invested in the short-term pooled fund until it is required.

The objectives of the Council with respect to the management of liquidity is to ensure that the capital value of its short-term pooled funds is preserved, that the investments are sufficiently liquid and that investment income is distributed in cash when possible.

The liquidity available from the short-term funds and portfolio investments ensures that the Council is able to meet its obligations and commitments. The majority of the investment portfolio can be redeemed within three days. As well, the permitted and prohibited investments are governed by Board-approved short-term and long-term investment policies which ensure that the liquidity risk is minimized.

The following table presents a maturity analysis based on historical data for the Council's financial assets and liabilities.

(in thousands of dollars)	2012 Total	No fixed maturity	Less than 3 years	2011 Total	No fixed maturity	Less than 3 years	2010 Total	No fixed maturity	Less than 3 years
FINANCIAL ASSETS									
Cash equivalents	18	-	18	340	-	340	4,501	-	4,501
Accounts receivable	2,144	-	2,144	2,395	-	2,395	1,669	-	1,669
Derivatives	171	-	171	300	-	300	3,761	-	3,761
Portfolio Investments	270,522	270,522	-	279,232	279,232	-	265,554	265,554	-
	272,855	270,522	2,333	282,267	279,232	3,035	275,485	265,554	9,931
FINANCIAL LIABILITIES									
Bank indebtedness	1,581	-	1,581	2,574	-	2,574	3,475	-	3,475
Grants payable	27,760	-	27,760	25,927	-	25,927	26,452	-	26,452
Accounts payable and accrued liabilities	3,710	-	3,710	4,900	-	4,900	2,971	-	2,971
Derivatives	62	-	62	187	-	187	13	-	13
	33,113	-	33,113	33,588	-	33,588	32,911	-	32,911

In the table above, investments are assets with no fixed maturity. The Council has an Investment Policy that enables it to withdraw amounts, during the year, from its investment portfolio valued up to 4.0% (2011 - 4.5%; 2010 - 4.5%) of the previous three-year average market value using balances at September 30, if needed.

iii. Market risks

The Council's activities are primarily exposed to price risk, interest rate risk and currency risk.

The investment managers' directives are to manage the Council's market risks on a daily basis in accordance with the Council's policies. The Council's overall market positions are monitored on a quarterly basis by the Board of Directors and the Investment Committee.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Council is exposed to market price risk arising from its investments in units of equity and alternative pooled funds and in limited partnership units of four real estate funds and an infrastructure fund.

Price sensitivity

The following details the Council's portfolio sensitivity to a 10.5% increase or decrease in the market prices, with 10.5% being the sensitivity rate used when reporting price risk internally to key management personnel and representing management's assessment of a reasonably possible change in market prices.

The sensitivity rate is determined using the historical standard deviation for the total fund as determined by the investment advisor.

At March 31 2012, if market prices had a 10.5% (2011 - 10%; 2010 - 10%) increase or decrease with all other variables held constant, the increase or decrease in remeasurement gains and losses and deferred revenues - externally restricted contributions for the year would have been a total of \$28,471,000 (2011 - \$27,670,000; 2010 - \$26,750,000) due to the increase or decrease in the fair value of financial assets measured at fair value.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The interest rate exposure of the Council arises from its interest bearing assets. The Council's cash includes amounts on deposit with a financial institution that earns interest at market rates. The objective of the Council is to manage its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining the minimum liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Council's results of operations.

The Council's investments in short term pooled funds, fixed income pooled fund and alternative pooled funds are indirectly affected by movements in their fair value as a result of fluctuations in market interest rates. The impact of the fluctuation cannot be assessed since Council holds units of pooled funds and not the underlying assets.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

At the Statement of Financial Position date, the Council's only monetary financial instruments exposed to foreign currency were the derivatives liability valued at \$62,000 (2011 - \$187,000; April 1, 2010 - \$13,000) and no exposure (2011 - Nil; April 1, 2010 - Nil) in cash equivalents. Given the small size of the foreign currency exposure compared with the total assets of the Council, currency risk is not considered significant.

10. EMPLOYEE FUTURE BENEFITS

a) Pension benefits

Substantially all of the employees of the Council are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Council. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year end was 1.74% (1.86% for the prior year). Total contributions of \$2.1 million (2011 - \$2.0 million) were recognized as expense in the current year.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service times the average of the best five consecutive years of earnings. The benefits are indexed to inflation.

(in thousands of dollars)		2012	2011
Employer's contributions	\$	2,125	\$ 2,044
Employees' contributions		1,144	1,064

b) Severance benefits

The Council provided severance benefits to its employees based on years of service and final salary. These benefits were not pre-funded and thus had no assets, resulting in a plan deficit equal to the accrued benefit obligation. These benefits will no longer accrue as per the new collective agreement signed in February 2012. The total obligation will be paid from future appropriations or other sources of revenue. Information about the plan benefits, measured as at March 31, is as follows:

(in thousands of dollars)		2012	2011
Accrued benefit obligation, beginning of year	\$	2,291	\$ 2,192
Current service cost including amendments		615	254
Benefits paid during the year		(61)	(155)
Accrued benefit obligation, end of year	\$	2,845	\$ 2,291

c) Retirees benefits

The Council has defined post-retirement benefit plans covering certain employee groups. These plans provide extended health and dental benefits to retired employees. Retirees pay 50% of the extended health care premium and 100% of the dental premium. In 2011/12, the Council obtained its first estimated actuarial valuation therefore there are no actuarial gains and losses for the current year.

Reconciliation of Accrued Benefit Obligation

(in thousands of dollars)		Accrued Benefit Obligation	
March 31, 2010	\$	1,259	
Current Service Cost		63	
Interest Cost		43	
Benefits Paid		(100)	
Participant Contributions		54	
March 31, 2011	\$	1,319	
Current Service Cost		65	
Interest Cost		46	
Benefits Paid		(101)	
Participant Contributions		63	
March 31, 2012	\$	1,392	

The significant actuarial assumptions adopted in estimating the accrued benefit obligations and net benefit costs are as follows:

	2012	2011	2010
Discount rate for calculation of net benefit costs	3.5%	3.5%	3.5%
Discount rate for calculation of accrued benefit obligation	3.5%	3.5%	3.5%
Dental costs rate increase	4.0%	4.0%	4.0%
Initial Health care cost trend rate increase - Prescription drugs	8.0%	8.0%	8.0%
Ultimate health care cost trend rate	4.0%	4.0%	4.0%
Year ultimate rate reached	2020	2020	2020

11. DEFERRED REVENUES - EXTERNALLY RESTRICTED CONTRIBUTIONS

The deferred revenues from externally restricted contributions consist of accumulated income received which has been deferred until the resources for the purpose or purposes specified by the endowment have been used. The restricted endowment principal of \$3,569,000 is required to be maintained intact and is reported under accumulated surplus from operations (see Note 14).

(in thousands of dollars)		2012	2011
Balance, beginning of year	\$	26,349	\$ 24,699
Transferred to investment income (Note 15)			
Net investment income		717	(15,961)
Use of funds		(2,719)	(2,824)
		(2,002)	(18,785)
Transfer to other revenues		(520)	-
Unrealized gains (losses) on portfolio investment		(2,700)	2,116
Reclassified to statement of operations		2,428	18,319
Unrealized gains on derivatives		39	-
Balance at end of year	\$	23,594	\$ 26,349

The unrealized gains and losses on portfolio investment and derivatives are related to the change in fair value of those assets from the previous year.

12. TANGIBLE CAPITAL ASSETS

(in thousands of dollars)		Office equipment	Leasehold improvements	Total
Cost				
Opening balance at April 1, 2011		6,680	5,365	12,045
Acquisitions		438	39	477
Disposals		-	-	-
Write-downs		(2,420)	-	(2,420)
Closing balance at March 31, 2012		4,698	5,404	10,102
Accumulated Amortization				
Opening balance at April 1, 2011		5,106	4,172	9,278
Amortization expense		655	453	1,088
Disposals		-	-	-
Write-downs		(2,420)	-	(2,420)
Closing balance at March 31, 2012		3,321	4,625	7,946
Net carrying amount at April 1, 2011		1,574	1,193	2,767
Net carrying amount at March 31, 2012		1,377	779	2,156
(in thousands of dollars)				
Cost				
Opening balance at April 1, 2010		6,290	5,365	11,655
Acquisitions		1,176	-	1,176
Disposals		-	-	-
Write-downs		(786)	-	(786)
Closing balance at March 31, 2011		6,680	5,365	12,045
Accumulated Amortization				
Opening balance at April 1, 2010		5,280	3,724	9,004
Amortization expense		612	448	1,060
Disposals		-	-	-
Write-downs		(786)	-	(786)
Closing balance at March 31, 2011		5,106	4,172	9,278
Net carrying amount at April 1, 2010		1,010	1,641	2,651
Net carrying amount at March 31, 2011		1,574	1,193	2,767

13. WORKS OF ART AND MUSICAL INSTRUMENTS

The Council's Art Bank has the largest number of contemporary Canadian works of art in Canada. It includes over 17,500 paintings, sculptures, drawings, photographs and prints by over 3,141 artists. The Art Bank rents art works to interested parties and presently has over 4,100 (2011 - 5,140) works on rental to federal government departments and agencies, associations, hospitals, schools, municipalities and private corporations.

The Council created the Musical Instrument Bank in 1985, and it presently owns a fine cello bow and six quality musical instruments. In addition, the Council manages ten instruments on loan, nine from anonymous donors and one from another donor.

Agreements are signed with the organizations that rent the works of art and with the individuals to whom the instruments are loaned. Those agreements include clauses that stipulate how the works of art or musical instruments are to be handled in order to safeguard them. The Council insures the works of art and the musical instruments for their fair value.

14. ACCUMULATED SURPLUS

(in thousands of dollars)

	2012	2011
Accumulated surplus from operations		
Endowment - original contribution	\$ 50,000	\$ 50,000
Endowment Principal - Externally restricted contributions	37,569	37,569
Reserve for excess investment income		
Balance at beginning of the year	121,445	166,745
Appropriated to the accumulated surplus during the year	(5,000)	(45,300)
Balance at end of the year	118,445	121,445
Surplus		
Balance at beginning of the year	10,105	11,457
Appropriated from the reserve for excess investment income during the year	3,000	45,300
Deficit for the year	(6,460)	(46,652)
Balance at end of the year	6,645	10,105
Total accumulated surplus from operations	212,659	219,119
Accumulated remeasurement gains (losses)		
Balance at beginning of the year	533	-
Change in fair value	(678)	-
Balance at end of the year	(145)	-
Accumulated other comprehensive income		
Balance at beginning of the year	-	(50,967)
Comprehensive income for the year	-	51,500
Balance at end of the year	-	533
Balance of accumulated surplus at end of year	\$ 212,514	\$ 219,652

Included in accumulated surplus is the original contribution by the Government of Canada of \$50 million, which constituted a government transfer ("Endowment Fund") when the Council was established in 1957.

15. NET INVESTMENT INCOME (LOSS)

(in thousands of dollars)

	2012	2011
Losses from disposal of portfolio investments	\$ (8,243)	\$ (4,207)
Losses on foreign currency from disposal of portfolio investments	-	(73)
Impairment on portfolio investments	-	(58,925)
Income transferred from Deferred revenues - Externally restricted contributions (Note 11)	2,002	18,785
Net gains (losses) on derivatives	(621)	757
Interest and dividend income	13,677	8,190
Investment portfolio management costs	(1,475)	(1,469)
	\$ 5,340	\$ (36,942)

16. NET ART BANK INCOME (LOSS)

(in thousands of dollars)

	2012	2011
Rental revenue	\$ 1,716	\$ 1,916
Other income	183	289
Artwork purchases	(305)	(68)
Administration expense	(1,939)	(2,025)
Amortization of other capital assets	(27)	(22)
	\$ (372)	\$ 90

1. In 2011, the Council recognized an impairment in the value of its interest in both global equity pooled funds of \$58.9 million as the loss in value was considered other-than-temporary (see Note 8).

17. CANADIAN COMMISSION FOR UNESCO

(in thousands of dollars)		2012	2011
Program expenses	\$	692	\$ 826
Program - contributions received		(40)	(4)
Administration expense		1,351	1,346
	\$	2,003	\$ 2,168

Program expenses represent mainly the costs associated with the Commission's activities at national and international meetings related to education, science and culture. These costs are offset by contributions received from other organizations partnering with the Commission on these activities. Administration expenses represent the direct costs of delivering the Commission's programs.

18. NET CHANGE IN OTHER NON-CASH ITEMS

(in thousands of dollars)		2012	2011
Decrease (increase) in accounts receivable	\$	251	\$ (726)
Decrease in derivatives - asset			3,461
Increase (decrease) in grants payable		1,833	(525)
Increase (decrease) in accounts payable and accrued liabilities		(1,190)	1,929
Increase in derivatives - liabilities		-	174
Decrease in deferred revenues		(281)	(344)
Decrease in deferred parliamentary appropriations			(37)
Change in fair value for derivatives		145	
Net change	\$	758	\$ 3,932

19. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

a) Grants

Payments of grants extending into future years are subject to the provision of funds by Parliament. Future year grants commitments approved prior to March 31, 2012 amounted to \$9,653,000 (2011 - \$143,574,000; 2010 - \$91,883,000).

The future payments of grant commitments as of March 31, 2012 are as follows:

(in thousands of dollars)		
2013	\$	74,162
2014		23,471
2015		20

b) Rent

The Council is party to long-term operating leases with respect to rental accommodation. Future year payment related to operating lease as of March 31, 2012 amounted to \$101,114,000 (2011 - \$14,924,000; 2010 - \$18,860,000).

The future payments of operating lease as of March 31, 2012 are as follows:

(in thousands of dollars)		
2013	\$	4,586
2014		4,580
2015		4,514
2016		4,582
2017		4,626
2018-2034		78,226

c) Capital commitments

The Council has signed agreements with real estate and infrastructure investment managers and committed capital in limited partnership funds. Because it takes time for those funds to be fully invested, the balance of committed capital not yet drawn at March 31, 2012 is \$6,158,000 (2011 - \$9,280,000; 2010 - \$9,300,000). The outstanding balance of committed capital is currently invested in short-term pooled funds.

20. RELATED PARTY TRANSACTIONS

The Council is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Council enters into transactions with related parties in the normal course of business on normal trade terms applicable to all individuals and enterprises, and these transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. During the year, the Council incurred grant expenses totalling \$190,000 (2011 - \$599,000) and recorded rental revenues of works of art, contributions and other revenues totalling \$1,589,000 (2011 - \$1,701,000) with related parties.

As at March 31, the Council recorded the following amounts on the statement of Financial Position for transactions with related parties:

(in thousands of dollars)		2012	2011
Accounts receivable	\$	320	\$ 471
Grants payable		-	77
Accounts payable and accrued liabilities		405	401
Deferred revenues		562	677

21. COMPARATIVE FIGURES

Certain 2011 figures have been reclassified to conform to the presentation adopted in 2012.

Schedule 1 - Grant Expenses by Section

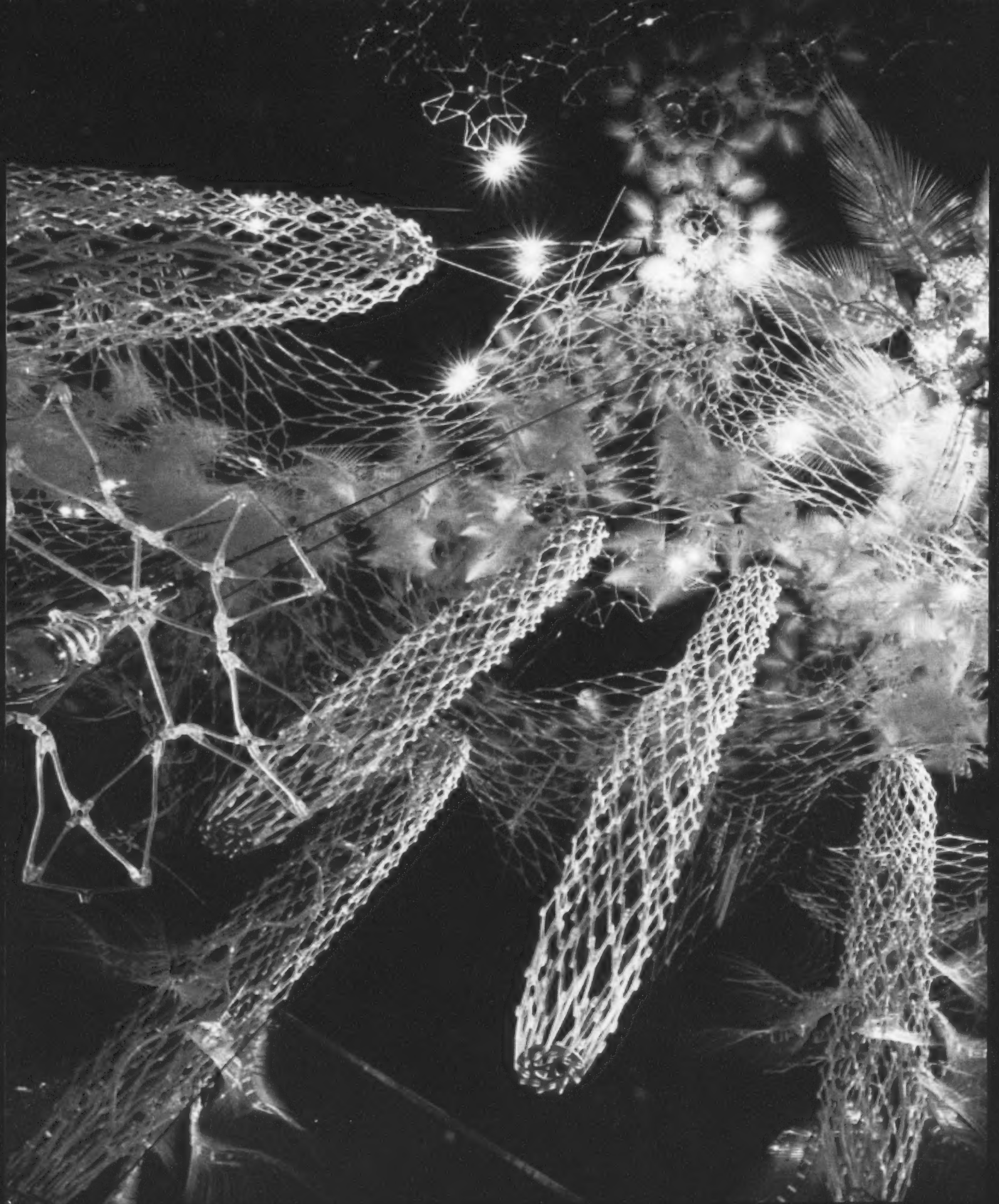
(in thousands of dollars)

	2012	2011
Arts Programs		
Music	\$ 28,092	\$ 28,156
Theatre	26,671	26,824
Writing and Publishing	24,251	24,261
Visual Arts	21,225	21,255
Dance	18,550	18,650
Media Arts	16,706	13,441
Inter-Arts	2,656	2,564
Audience and Market Development	2,083	2,035
Equity	1,656	1,605
Aboriginal Arts	1,296	1,395
Alberta Creative Development	999	1,116
Other	1,015	1,075
Public Lending Right	9,941	9,908
Killam Program		
Killam Research Fellowships	1,050	1,120
Killam Prizes	500	500
Other Prizes and Awards		
Victor Martyn Lynch Staunton Awards	105	105
Molson Prizes	100	100
John G. Diefenbaker Award	95	95
Walter Carsen Prize	50	50
Other prizes and awards < \$50,000	263	277
	\$ 157,304	\$ 154,532

Schedule 2 - Administration Expenses

(in thousands of dollars)

	Programs	2012 General Administration	Total	2011 Total
Salaries	\$ 9,043	\$ 6,393	\$ 15,436	\$ 15,394
Employee benefits	2,570	1,970	4,540	4,201
Office accommodation	33	3,916	3,949	3,866
Professional and special services	450	1,242	1,692	2,009
Amortization	-	1,061	1,061	1,038
Staff travel	645	208	853	984
Printing, publications and duplicating	29	471	500	504
Information management	5	382	387	480
Communications	112	204	316	384
Meeting expenses including members' honoraria	80	157	237	319
Office expenses and equipment	-	204	204	314
Miscellaneous	-	23	23	48
	\$ 12,967	\$ 16,231	\$ 29,198	\$ 29,541



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